

1 EXECUTIVE COMMITTEE MEETING
2 THURSDAY, JULY 25, 1991
3 U.S. Senate
4 Committee on Finance
5 Washington, D.C.

ORIGINAL

6 The meeting was convened, pursuant to notice,
7 at 10:03 a.m., the Hon. Lloyd Bentsen (Chairman)
8 presiding.

Gilmour
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9 Also present: Senators Moynihan, Baucus, Bradley,
10 Mitchell, Riegle, Rockefeller, Daschle, Packwood
11 Dole, Roth, Danforth, Chafee, Durenberger, Symms,
12 Grassley and Hatch.

13 Also present: Vanda McMurtry, Staff Director and
14 Chief Counsel; Edmond Mihalski, Chief of Staff,
15 Minority.

16 Also present: Margaret Malone, Professional Staff
17 Member; Robert Kyle, Chief, International Trade
18 Counsel; Eric Biel, International Trade Counsel;
19 Debbie Lamb, International Trade Counsel; Brad
20 Figel, Minority Trade Counsel; Rolf Lundenberg,
21 Minority International Trade Counsel; Webb Philips,
22 Legislative Fellow; Ron Davis, Professional Staff
23 Member; Douglas Frederick, Minority Professional
24 Staff Member.

25 (The prepared statement of Senator Durenberger

Statement of Senator Dave Durenberger

before the
Senate Committee on Finance


UNEMPLOYMENT COMPENSATION EXTENDED BENEFITS

July 25, 1991



Mr. Chairman, while most economic indicators demonstrate that a recovery is under way, many Americans continue to find themselves out of work and their benefits either at an end or quickly running out. Fortunately, this recession has not been as severe as the ones which have preceded it.

I believe that both the Congress and the economy have learned from the past. While those of us in Washington cannot necessarily prevent recessions, we do have some tools at our disposal which will cushion the blow for the many Americans who have born the brunt of this slow down.

I appreciate the opportunity to examine how the unemployment trust funds may be used to address the problems of persistent unemployment which have plagued certain areas of the country. I wholeheartedly support, Mr. Chairman, the provision of

 this proposal which puts members of the armed forces on the same terms as their civilian counterparts. Such a change is long overdue.

While there are clearly areas of the nation deserving of additional funds to combat the effects of widespread unemployment, I do have some lingering concerns about the scope of this legislation.

 In my judgment, trust funds designated for unusual or extreme circumstances ought to be used for that designated purpose. Most Minnesotans would agree that our ^{insured} unemployment  rate of 2.38 percent is not yet a crisis, and it is certainly not the worst it has been. The concern of state officials in Minnesota, a concern which I share, is that our recessions tend to lag behind slowdowns on the coasts, and in adopting this legislation, we may endanger the reserves in the trust fund that may have to be spent next year.

 Moreover, I am not convinced that the changes in the benefit

formula, from IUR to TUR, are not hasty or as well directed as they ought to be. I would be much more supportive of this type of legislation if this Committee had had, on just one occasion, an opportunity to take testimony that this formula change was an effective way to direct extended benefits to those most in need. When we measure TUR, we use one pool of people to trigger the extended benefits, but only a small pool, those who are measured under IUR, will ^{receive} ~~enjoy~~ these benefits.

In spite of these concerns, Mr. Chairman, I believe that tapping these dedicated reserves will ensure that the recovery now underway will not lose speed and that any lingering effects of the economic slow down will be minimized for many Americans. I intend to support the efforts of this committee to direct the reserves of the Unemployment Compensation Trust Fund to those workers who have exhausted their unemployment benefits, to correct inequities born by unemployed veterans, and to examine the long term stability of this important program.

Thank you. Mr. Chairman.

1 The Chairman. This meeting will come to order.
2 If you will cease conversation. Take seats if you
3 can, please. Our meeting, of course, this morning
4 is on unemployment compensation.

5 What we have seen happen is two million American
6 workers lose their jobs. As of June 1st, we had
7 1,200,000 who had lost their long-term unemployment
8 compensation benefits.

9 One of the problems you have in this kind of a
10 situation is that unemployment indices are lagging
11 ones. When we had the conference last spring, we
12 had no way of knowing how deep or how long that
13 recession would last.

14 But one of the things we set up was an emergency
15 procedure whereby if the Congress and the President
16 agreed, you could take action to try to correct that
17 kind of a situation: the tragedy of losing jobs in
18 hitting Americans, and then trying to take care of
19 it with unemployment compensation benefits. It is
20 not a hand-out. We are talking about a trust fund
21 that has been set up and paid for by the employers
22 for this specific purpose.

23 We have some \$8 billion in that fund. Yet, the
24 extraordinary thing is that fund was building at the
25 very time that unemployment was increasing in our

1 country. What we are proposing are some changes to
2 let more Americans qualify for those extended
3 benefits.

4 We also want to see equal status for Desert
5 Storm veterans. You had the extraordinary situation
6 of people coming back from combat, not being able to
7 find jobs, and yet, not having parity with civilians
8 who were unemployed; having to wait four weeks,
9 instead of one week that a civilian would; having
10 half the extended benefits that a civilian would.

11 So, this makes a permanent change in that in
12 giving parity to those veterans. The other thing
13 this provides for is setting up an advisory council
14 for unemployment compensation; something comparable
15 to the Social Security Advisory Council.

16 No question in my mind but that we have some
17 inequities involved in this situation, and they
18 ought to be address. This will give them the time
19 to do that, a time when, hopefully, we are not under
20 the stress of a recession.

21 The question is, will the funds be sufficient to
22 take care of this situation? What we have done is
23 talk about it going into effect on October the 1st
24 and going to June 1st of next year with a reach-back
25 provision for those whose benefits have expired

1 after April the 1st of this year. We have also
2 provided that most of the benefits will go to those
3 States that are the hardest hit. For those that
4 have unemployment of eight percent or more, you will
5 have 20 weeks of extended benefits. For those seven
6 to eight percent, it would be 13 weeks. For those
7 six to seven percent, it would be seven weeks. And
8 for those below that, it would be four weeks.

9 Now, why do we apply some for those States that
10 are not hit as hard as others? One of the reasons
11 is that you have pockets of unemployment in some of
12 these States.

13 If you look at a State like Michigan, then you
14 can see a situation where you have high unemployment
15 because of the automobile industry, but you will
16 also have the automobile industry in places like
17 Tennessee, or Kentucky. And they are hit, too, but
18 they are pockets of high unemployment.

19 If you look at the situation like in the State
20 of Minnesota where they have an unemployment rate of
21 around five percent, but have one county that will
22 have an unemployment rate of 17 percent.

23 A State like South Dakota that has an
24 unemployment rate between three and four percent,
25 but will have a county that has unemployment of 12

1 appears in the appendix.)

2 (The press release announcing the meeting
3 follows:)

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1 percent. These are the types of things that we are
2 trying to address.

3 Again, why we call it an emergency and try to
4 stress that point is that as you look toward taking
5 care of these problems and trying to do it on a pay-
6 as-you-go and raising the revenue during that
7 relatively short period of time, it is almost
8 impossible to get it into effect and have it
9 mechanically beginning to work.

10 So, the President has come to us on occasion
11 with meritorious requests for emergency status to
12 try to take care of the displaced Kurds; emergency
13 status to help Turkey; to help Israel, and we have
14 gone along with it, because we thought it was right.

15 What we are now asking in this situation is that
16 the Congress declare it an emergency with the
17 understanding it is then up to the President to
18 decide whether he agrees with that, or not. And it
19 is our hope that he would go along with us in that
20 regard.

21 American workers are in real trouble. The
22 problem they face is with an unemployed worker:
23 having one of the children get sick and hoping that
24 child gets well, not going to the doctor because
25 they do not have the money or the cash to do it;

1 having lost the health insurance; then, the child
 2 gets so ill they finally go to the emergency room at
 3 the hospital and take care of the child; or going
 4 out in the morning to get in their car to go seek a
 5 job and find the car was repossessed during the
 6 night.

7 What we are trying to do here is help that
 8 worker have some sustained income for a period of
 9 time while he can find another job, and, in turn, to
 10 some mild degree of stimulant for the American
 11 economy; to get the economy moving again.

12 I would like to now turn to the distinguished
 13 Ranking Minority Member, who is a co-sponsor of this
 14 piece of legislation, my friend, Senator Packwood,
 15 for any comments he has.

16 Senator Packwood. Mr. Chairman, thank you.

17 Emergency is often in the eye of the beholder.
 18 I suppose if you are looking at it from the top with
 19 an unemployment rate where it is now--and it is much
 20 lower now than it was in the recession of 1982; it
 21 is much lower than it has been in other recessions--
 22 you say it is no emergency. But if you are Sally,
 23 age 30, single mother, two kids, and you had a job
 24 that paid \$10 an hour in mill in Roseburg, Oregon,
 25 and you are out of work, that is an emergency.

1 Or, if you are Jim, age 42, and you are working
2 at the same mill, making about the same as Sally is,
3 and your wife works at the variety store, and
4 between the two of you, you are lucky if you have an
5 income of \$28,000 to \$30,000, and you are laid off,
6 it is an emergency.

7 And there are not enough jobs in Roseburg,
8 Oregon to take care of everybody who is laid off.
9 There are not enough jobs within 100 miles of
10 Roseburg, Oregon to take care of everybody who is
11 laid off. So what do you do?

12 We offer some nebulous worker retraining
13 program, which, if you take it and they are
14 retrained to work in the electronics factory, you
15 move 200 miles away and take a job that pays \$6 an
16 hour instead of \$10, and you do not want to leave
17 Roseburg, Oregon, because you like the town, and
18 your kids are in high school, and your parents are
19 still there. That, to you, is an emergency.

20 The Unemployment Trust Fund was set up to take
21 care of normal periods of unemployment and of
22 emergencies. There might be a way to finer tune
23 this. The Chairman made reference to counties that
24 could have unemployment as high as 15 or 18 percent.
25 I have got those counties. And maybe when the time

1 for full-scale reform comes, we ought to fine tune
2 this, and instead of applying it to an entire State,
3 say we will divide it within the State. And the
4 areas that are hardest hit will be preferred over
5 those that are not so hard-hit.

6 But this is not the time for that kind of fine
7 tuning. These people need money in their pockets.
8 Fortunately, the unemployment program is one of the
9 Federal/State programs that works reasonably well.
10 There is not much red tape to it. We do not try to
11 find out what the people do with their money.

12 These are, by and large, not people that are on
13 welfare, or have ever been on welfare. These are
14 people who have worked all of their lives, and they
15 would like to work again.

16 And so, we give them some unemployment
17 compensation which is less than they make working in
18 the hopes of tiding them over. Is it the best that
19 we can possibly do? Maybe not. But is it
20 infinitely better than doing nothing? You bet it
21 is.

22 There are 45,000 Oregonians who have run through
23 their benefits and would be eligible for extended
24 benefits under this program. And the irony is that
25 most of them are out of work through no fault of

1 their own, and through no fault of their employer,
2 and no fault of the market. They are out of work
3 because of actions by the Federal Government in
4 reducing the amount of timber than can be cut, and
5 they have been laid off. If anyone is not to blame
6 for their emergency, it is them.

7 I am glad to support this bill with the Chairman
8 in hopes that we can do something to help these
9 people through a situation for which they are
10 totally not responsible.

11 The Chairman. Thank you very much for your
12 comments, Senator Packwood.

13 Frankly, I am hoping we can get a little
14 leadership here showing on this that we can approach
15 this in a bipartisan manner to work on it.

16 Senator Moynihan.

17 Senator Moynihan. Mr. Chairman, I just want to
18 thank you and Mr. Packwood for what you have done
19 here and to call attention to the idea of an
20 advisory council, which is long -- well, I do not
21 know if it is overdue, but its time has now come.

22 It was just 30 years ago that I became an
23 Assistant Secretary of Labor under President
24 Kennedy. This was a recession period. And at that
25 time, of all the social programs that had been put

1 in place by the Social Security Act, the one you
2 knew was working was Unemployment Insurance. Just
3 worked beautifully. It was a Federal/State program.
4 Sixty-three percent of the unemployed were covered
5 in that year. Thirty years later we are down to
6 where half that number--about a third of that
7 number--receive unemployment compensation.

8 We have a great social program that has just
9 melted away before us. We made changes in 1981 and
10 1982, but I think the idea of a council, which has
11 done wonders for Social Security, could do the same
12 here.

13 I think Senator Packwood made an important point
14 when he spoke of disaggregating, if I could use that
15 term. We started out down at the county level, or
16 more likely, the SMSA level. We can do that now
17 because we get those numbers now.

18 It was not until 1959 that we could give you a
19 monthly unemployment rate for the State of Oregon.
20 But now we can give you Portland. And if we can,
21 obviously, that is the economic unit, not the
22 boundaries of the Webster-Ashburton Treaty, or
23 something. And I think that is a really good view.
24 Good for both of you.

25 The Chairman. Thank you.

1 I would like to call on the Majority Leader for
2 such comments he might have.

3 Senator Mitchell. Mr. Chairman, thank you very
4 much. I join our colleagues in commending you for
5 taking the initiative to put together and move
6 swiftly an emergency unemployment compensation
7 package.

8 This proposal will address the needs of millions
9 of unemployed Americans. I am pleased to be a co-
10 sponsor of the legislation, and I hope the measure
11 will be approved by the committee and by the full
12 Senate.

13 I also wanted to commend our colleague on the
14 committee, Senator Riegle, for his efforts on
15 behalf of the unemployed.

16 On January 16th of his year, I asked Senator
17 Riegle to serve as Chairman of a task force to make
18 recommendations to promote economic recovery.

19 One of Senator Riegle's recommended reforms
20 involved the unemployment insurance system, and he
21 has aggressively pursued that since then, and I
22 thank him for that.

23 Mr. Chairman and members of the committee, just
24 two day ago, the Chairman of the President's Council
25 of Economic Advisors, Michael Boskin, testified

1 before a committee of Congress that over three
2 million Americans will exhaust their benefits by the
3 end of this fiscal year, and that the national
4 unemployment rate will remain above six percent over
5 the next two years.

6 One would think that with 8,700,000 Americans
7 unemployed, and over two-thirds of the States with
8 unemployment rates above six percent, that many--
9 indeed, most of the States--would trigger onto the
10 current extended unemployment benefits program.

11 But sadly, that is not the case. Despite the
12 severity of unemployment throughout the country,
13 only eight States in total have triggered onto the
14 extended unemployment benefits program.

15 And five of those eight States have already
16 triggered off the program; they are no longer
17 eligible for the extra 13 weeks of benefits,
18 although their unemployment rates remain high.

19 I have been informed that my own State of Maine,
20 with an unemployment rate of 8.3 percent, is likely
21 to trigger off the extended benefits program in
22 August.

23 During this recession, large numbers of
24 unemployed families have exhausted their
25 unemployment benefits. At the same time, taxes that

1 businesses pay into the Unemployment Trust Fund are
2 resulting in a large and growing surplus. That
3 surplus is nearly \$8 billion today, and it is
4 expected to grow to \$9.5 billion during the next
5 fiscal year.

6 And so, I think ordinary Americans will ask,
7 "How can we have a situation where 8,700,000
8 Americans are unemployed, and yet, a trust fund
9 established to address the financial plight of the
10 unemployed is growing, and benefits are not being
11 paid?"

12 It will not seem right or fair to them, and it
13 is not right or fair. The taxes are collected to
14 pay unemployment compensation, and those who are
15 unemployed ought to receive that compensation.

16 I urge my colleagues to adopt this proposal.

17 The Chairman. I would like to call on the
18 Minority Leader, Senator Dole.

19 Senator Dole. Mr. Chairman, thank you very
20 much. I would say that my comments are preliminary,
21 since we received a copy of the legislation about
22 7:00 o'clock last night, and I think we need some
23 time to have a chance to look at it.

24 But I think there are parts of it that cause, at
25 least me, a great deal of concern, and I think going

1 to cause the administration a great deal of concern.

2 I would like to touch on some of those.

3 We all know that under the budget agreement
4 enacted on a bipartisan basis last year, new
5 benefits are to be paid for either by commensurate
6 reductions in other spending, or by increases in
7 revenues. Now, we just seem to forget we made that
8 agreement in the budget; let us just take it out of
9 this trust fund.

10 I understand that the benefits provided by this
11 legislation cost about \$5.8 billion, and yet, are
12 not financed, as required, under the budget
13 agreement. We did make a budget agreement. A lot
14 of us shed a lot of blood in that budget agreement
15 in voting for it; now we are trying to dismantle it
16 piece by piece.

17 And while some will argue--as the Majority
18 Leader just argued--that the balances in the UI
19 Trust Fund can be used to pay these benefits, the
20 budget agreement specifically took these balances
21 into account when the agreement was forged.

22 Now, this bill seeks to avoid the discipline of
23 the budget agreement by forcing the President to
24 declare UI benefit expansions an emergency, which
25 would exempt them from the pay-as-you-go

1 requirement.

2 I believe that such a move would set a dangerous
3 precedent for undermining the budget agreement, and
4 with it, the recovery that most people, I think, now
5 believe is under way.

6 There are a number of provisions in this bill
7 which ignore the lessons we have learned from prior
8 extended benefit programs. Specifically, I am
9 referring to the four-tier system which is
10 unnecessarily complicated and provides a level of
11 benefits which would work as a disincentive to re-
12 employment, as we enter into a period of economic
13 recovery.

14 I would hope to offer an amendment which would
15 provide a simplified, two-tier program, which
16 provides more benefits to a greater number of
17 States, and which should shave billions of dollars
18 from the cost of this legislation.

19 And we have had this before us before. I
20 remember when I was Chairman in 1982, whether it was
21 IUR or TUR. And I do not understand why we use the
22 total unemployment rate as the trigger for benefits.
23 TUR has never been used in any extended benefit
24 program, and for good reason, since it counts those
25 never intended to be included within the

1 unemployment system, such as college students out on
2 a summer break. Now, if we want to talk about the
3 plight of the unemployed, let us talk about the
4 truly unemployed. Let us talk about the IUR.

5 And why this legislation uses such a misleading
6 and inaccurate measure of unemployment as the TUR in
7 connection with the triggering of benefits is a
8 mystery to me, and adds a lot of cost to the
9 program.

10 And I would hope to offer an amendment which
11 would substitute the insured unemployment rate,
12 modified to include those who have already exhausted
13 their benefits. So, that would take care, again, of
14 those who have been addressed.

15 But it seems to me that we ought to try to
16 figure out some way to get the cost of this
17 legislation under control. I do not believe anybody
18 on this committee fails to understand some Americans
19 have a real problem.

20 Now, if we want a bipartisan approach--and I am
21 not certain what the President might do--but as I
22 understand it, we are going to pass this
23 legislation, and then it is up to the President to
24 declare an emergency, otherwise, there will be no
25 benefits paid.

1 If we cannot reach some bipartisan agreement on
2 a package, maybe we give the President two options.
3 Maybe this option, and another option where we would
4 use the IUR and a simplified two-tier system. And
5 then if the President declared an option, it would
6 trigger either program A or program B. Better to
7 have program C, which would be a bipartisan
8 agreement with only one choice for the President.

9 I know that in the course of the debate we will
10 have an opportunity to offer amendments to try to
11 tighten up the program, and also to simplify the
12 program and to bring it back into some reasonable
13 cost figure. Even though there is that -- and
14 again, let me underscore, there is a big fund out
15 there. But that was considered as part of the
16 budget agreement.

17 Now, the ordinary American was not part of the
18 budget agreement, but we were. We were. Some of us
19 voted for it. And we did it because we thought we
20 were holding spending, as well as the President's
21 willingness to go along with new taxes, that was
22 part of the deal. Now we have got the taxes, but we
23 are trying to unravel the spending restraint.

24 The Chairman. Senator Symms, I believe, was
25 next.

1 Senator Symms. Mr. Chairman, thank you. I
2 appreciate your opening remarks and those of Senator
3 Packwood, the Majority Leader, for what you said,
4 and for your compassion for the situation that some
5 of the unemployed are in. We have rising
6 unemployment in my State, also, right now.

7 But I do think that we should, on this
8 committee, step back a little bit and it may be that
9 we should pass this bill. I have not really come to
10 a conclusion.

11 I liked the remarks that Senator Dole just made
12 about trying to put it in some context to try to pay
13 for it in accordance with the budget agreement if we
14 are going to move forward.

15 But I think what is happening in the country is
16 we are now seeing that the crop is being harvested
17 from the seeds of the regulatory recession that is
18 setting in the country.

19 In my part of the country, we are suffering
20 enormously from the Endangered Species Act, as
21 Senator Packwood mentioned. We have got the Clean
22 Air Act, the Wetlands, the government monopoly that
23 owns a third of the land in the United States. They
24 have locked up oil, and gas, and timber, and
25 minerals, and it causes unemployment all over the

1 country.

2 We have got a tax policy here that--I am sorry
3 the Majority Leader left--but the Majority Leader
4 blocked this Congress from being able to pass
5 reducing the rate of taxation on capital. So, we
6 have an anti-capitalistic--if you will--tax policy
7 in this industrial country, compared to some of our
8 trading partners.

9 We blocked the Moynihan payroll tax cut. We
10 have helped sow the seeds of a recession by action
11 here in the Congress. And just for example, we did
12 a study in the Joint Economic Committee on what the
13 tax on boats would do.

14 According to the Joint Economic study, they said
15 it was estimated that the luxury tax on boats would
16 raise \$3 million a year. What happened was, in the
17 State of Rhode Island alone, we lost 7,600 jobs.
18 And it is ending up costing \$18 million a year,
19 rather than raising \$3 million.

20 According to that Joint Economic Committee
21 study, the luxury tax on jewelry cost another 330
22 jobs. It did not raise a dime. It cost, in
23 airplanes, 1,500 jobs, with a net loss to the tune
24 of \$4 million.

25 So, I think that a few hundred jobs here and

1 there do make a difference. And it may be that the
2 only thing we can do now is pass an unemployment
3 extender to offset the losses that those people
4 have, but I think we here in the Congress should
5 take the responsibility for the things that we do
6 that are helping bring on an anti-growth tax policy
7 that slows down growth, and then an anti-growth
8 regulatory policy that keeps people from being able
9 to do business, and provide jobs, and expand.

10 There is no doubt in my mind that the budget
11 agreement in 1990 that gave us a \$348 billion
12 deficit next year, now, according to the latest
13 estimates, probably brought on \$100 billion in job-
14 destroying revenues because of some of the policies
15 that were so hostile to producers and workers in the
16 program.

17 Now, it is just hard to keep this horse running
18 when you keep loading all this weight on the horse.
19 So, I would just like to say to the committee, I do
20 not know whether I am wise enough to know whether we
21 should pass this bill, or not.

22 But I think that we should sit back and take a
23 look at what it is we have done that is contributing
24 to the rising unemployment in the country and stop
25 treating the horse with the same medicine, if you

1 will, and try to lighten the load on the horse. It
2 seems to me like that reducing spending at the
3 Federal level would help reduce the deficit by
4 putting in a freeze in all expenditures of the
5 government and, at the same time, do some things
6 that would generate economic activity.

7 I think our meeting, Mr. Chairman, that we had
8 earlier this week, or last week, I believe it was,
9 with respect to revenue estimates is where we ought
10 to be focusing more of our attention on this
11 committee, because some of the revenue estimates
12 that have happened have just been plain, simply
13 wrong, because we have not considered human
14 behavior in these activities.

15 Therefore, we have passed legislation in good
16 faith--and I do not impugn anyone's motives--but
17 what is happening is that we are creating
18 unemployment in the country by high tax policies on
19 capital; by high tax policies on labor; by excessive
20 regulatory policies in the name of the environment.

21 This Northern Spotted Owl, for example, I doubt
22 if anyone in this room has ever seen one, but our
23 government has a policy that 3,600 acres of the
24 finest timber land in the country is dedicated to
25 each pair of Northern Spotted Owls, and there is not

1 one person in this room that can get the same
2 benefit from the U.S. Government.

3 So, at some point in time I think we have to
4 say, "Enough is enough," whether it is here today on
5 this bill, but for the long haul, I think we are
6 just going to end up pushing the President to sign
7 some bill that probably will not, in the long run,
8 do anybody very much good, if we continue on this
9 course.

10 The Chairman. Thank you, Senator Symms.

11 I see next in the order of arrival, Senator
12 Chafee.

13 Senator Chafee. Well, thank you very much.
14 Thank you very much, Mr. Chairman. I am pleased to
15 be a co-sponsor of this legislation. It is
16 important to many States, including to my State.
17 It will provide assistance to many workers who have
18 found themselves out of work as a result of the
19 recession.

20 Just a couple of statistics. In the past two
21 years, New England has lost a quarter of a million
22 jobs: a decline of four percent. This represents 20
23 percent of all the jobs lost in the U.S., and we
24 have only got five percent of the population in New
25 England, so you can see where this has hit.

1 The New England States have some of the highest
2 unemployment rates in the country. In my own State
3 in Rhode Island, the total unemployment rate is now
4 8.1 percent, up from May's 7.7 percent. Our State,
5 in order to balance its budget, attempted to do so
6 with shut-down for several days this year; just
7 closed operations to save money.

8 So, I believe strongly we have got to do
9 something to help those who are looking for work and
10 who are prepared to work and this will help achieve
11 that.

12 Now, I might say, Mr. Chairman, that these
13 benefits are not free. This bill would cost \$5.8
14 billion over the designated five-year period. I
15 think it is money well-spent, but I have very
16 serious reservations about how it is going to be
17 financed.

18 The money will be taken out of the extended
19 unemployment compensation account. Ultimately, this
20 is going to be charged against the deficit, and I do
21 not think that is wise. And I plan to work closely
22 with those who seek a way to offset this cost. I
23 agree strongly with what the Republican leader said
24 about we had an agreement. I think we ought to
25 stick to it.

1 I also want to say, Mr. Chairman, I find it a
2 little ironic that just this week, a majority of
3 the Senate voted to "get tough" with China, which is
4 going to cut down on our sales to China of a whole
5 series of goods that we make in our country. That
6 does not seem designed to help the unemployment.

7 Also, I want to say that, echoing what Senator
8 Symms said, if there is ever a disaster we enacted
9 in this Congress, it is that luxury tax.

10 I, as you know, have been deeply involved with
11 the luxury tax--getting rid of it. I can hardly
12 pronounce those repugnant words "luxury tax on
13 boats."

14 The Joint Economic Committee said it cost \$18
15 million a year. Now, you do not have to be a
16 nuclear physicist to realize that something that
17 costs \$18 million a year to collect \$3 million does
18 not make an awful lot of sense.

19 Now, I am not blaming this committee, because we
20 have to get a tax vehicle in order to do something
21 with --

22 Senator Dole. This is unemployment. Put it in
23 here.

24 Senator Chafee. Well, that is a thought. I had
25 not --

1 Senator Dole. We can offer an amendment to
2 repeal it right in this bill.

3 (Laughter)

4 Senator Chafee. Well, I do not know. Can I
5 speak to that?

6 Senator Dole. Caused him a lot of job loss.

7 Senator Chafee. Oh, I know it. There is no
8 question it is a disaster in my State as far as --
9 and not solely in my State. The Senator from
10 Louisiana --

11 Senator Symms. Let us get into the Endangered
12 Species Act while we are at it.

13 (Laughter)

14 Senator Chafee. Well, I have seen a Spotted
15 Owl, so I qualify under that. But I know the
16 Senator from Louisiana is deeply interested in
17 repealing that.

18 Mr. Chairman, could I ask, is it possible to --

19 Senator Dole. Anything is possible.

20 The Chairman. Let me respond to that one then,
21 you have asked. This is not a revenue bill. If
22 you really want to kill unemployment compensation,
23 that is the way to do it.

24 Senator Chafee. Well, I am not out to kill it.

25 The Chairman. Just let me make the point you

1 asked.

2 Senator Chafee. Yes.

3 The Chairman. Because it obviously gets blue-
4 slipped on the House side.

5 Senator Chafee. Well, I agree with that. In
6 other words, you cannot --

7 Senator Dole. That does not mean we cannot
8 offer the amendment.

9 The Chairman. That is right. But if you want
10 to kill the bill --

11 Senator Chafee. No, I am not out to kill the
12 bill. But I am raising the perception on
13 everybody's radar screen of that villainous luxury
14 tax, which is an anathema to all of us; some maybe
15 more than others. And so, I wanted to call that to
16 everybody's attention if we really want to do
17 something. I much prefer putting people back to
18 work than just getting them benefits.

19 Thank you, Mr. Chairman.

20 The Chairman. Senator Durenberger.

21 Senator Durenberger. Mr. Chairman, thank you.

22 I represent a State that does not compare with
23 many of the States on this committee in terms of
24 either its TUR, its unemployment rate, or its
25 insured unemployment rate. And I would express a

1 concern that I cast my vote for States like this,
2 which is expressed by officials of my State, and
3 that is if we do not do well coming out of the
4 economic downturn, that there might not be any money
5 left in the trust fund to pay Minnesota when the
6 unemployment rate goes up up there. And that is to
7 express their concern.

8 I would also like to join in expressing the
9 concern that the Republican leader expressed about
10 using TUR rather than IUR, and about the formula.

11 Having said that, let me say that it is my
12 belief that tapping the dedicated reserves ought to
13 go some part of the way to ensuring that the
14 recovery now under way will not lose speed, as well
15 that any lingering effects of the economic slow-down
16 will be minimized for Americans. And so, I intend
17 to support the measure before us, and I ask that my
18 full statement be included in the record.

19 The Chairman. That will be done. Thank you.

20 Senator Riegle.

21 Senator Riegle. Thank you, Mr. Chairman. Let
22 me congratulate you and your staff for putting
23 together an excellent package here, and stress the
24 urgency of it.

25 It is an emergency issue, and I want to just

1 respond to one of the issues raised by the Minority
2 Leader, and I do not want to have him miss my
3 comment to him. I just want to respond to one of
4 the comments that you made earlier about the way the
5 budget agreement works.

6 The Chairman of the Budget Committee just
7 outlined in that agreement five tests that have to
8 be met to meet the emergency designation. I will
9 not recount those here. I think this proposal
10 clearly meets all five.

11 But with respect to your larger point about how
12 do we pay for things that come along that are
13 unforeseen that otherwise might require an offset.
14 Let me tell you some that the administration has
15 asked for this year where we have had no offset--no
16 offset at all.

17 They have asked for \$410 million for the Kurds,
18 and we have provided that. They asked for \$7
19 billion for Egyptian debt relief; we provided that.
20 No offsets, by the way, in these areas.

21 Turkey asked for \$600 million; they have gotten
22 it; Israel, \$2 billion; Sudan, \$100 million;
23 Ethiopia, \$109 million; Angola, \$27 million;
24 Bangladesh, \$25 million. The problem is is that the
25 administration is quite prepared to find these

1 emergencies all over the world and go outside the
2 need to find an offset to provide money for all
3 these other people, but they are not willing to see
4 the emergency here at home or provide money for our
5 own people, even though the money has already been
6 collected.

7 We have a dedicated fund for precisely this
8 purpose for extended unemployment benefits, and
9 there is now nearly \$8 billion in that fund.

10 The projections are that by the end of this
11 fiscal year, we will have \$8.4 billion collected in
12 the fund for precisely this purpose. And by the end
13 of 1992, that is going to climb to \$9.6 billion.

14 So, the money has already been collected,
15 sitting in the fund, supposed to only be used for
16 this purpose. You have got all these unemployed
17 people, and they are not just in my State, but a lot
18 of them are. We have got over 400,000 unemployed in
19 Michigan.

20 But consider this: because of the way the system
21 is miswired today, we just had 48,000 workers in
22 Michigan who were eligible to get the additional 13
23 weeks that have triggered off. Now, they may have
24 only gotten one week, but nevertheless, they trigger
25 off. Now, the unemployment in my State is nine

1 percent. People cannot find jobs because there are
2 no jobs to find. And so, you have got the money in
3 the fund, we have collected it for that purpose, and
4 we are saying we cannot make it available. And yet,
5 we can help all these other people around the world.
6 That is just not fair, and it just does not make any
7 sense.

8 Now, somebody mentioned the China trade deal.
9 China has got a trade surplus with us this year of
10 \$15 billion. That means they are taking \$15 billion
11 of scarce capital out of this country to China.
12 They are taking \$15 billion worth of jobs out of
13 this country to China.

14 Some are coming from Michigan; some are coming
15 from Rhode Island; some are coming from every State.
16 You cannot have a \$15 billion trade deficit, as we
17 do with them, and not be losing jobs. That is part
18 of the problem. That is part of why our people
19 cannot find work. There is one other thing that is
20 important to know in this bill.

21 We solve another problem. Today, returning
22 servicemen and women from Desert Storm are not
23 eligible to receive the same amount of benefits that
24 everybody else in this country receives who cannot
25 find work. First of all, they have to wait four

1 weeks rather than one week to qualify, and then,
2 instead of getting the basic 26 weeks, they only get
3 half of that. They only get 13 weeks. And we have
4 had a lot of parades in the country, and I am for
5 the parades, and I am for the recognition. But when
6 the last high school band is loaded into a bus and
7 the music stops, many of these returning servicemen
8 and women are not finding work. I have talked to
9 them in my State.

10 And right now, they are treated as second-class
11 citizens within the system. We fix that here. We
12 reduce that four-week waiting period to one week, as
13 it is for everybody else, and instead of limiting
14 them to 13 weeks, they get 26 weeks, which they
15 should get. And so, that is another part of this
16 bill that is in here.

17 But let me just say there has been no
18 recommendation, by the way, to correct that flaw, up
19 until now. It is this legislation that will take
20 care of that problem.

21 Senator Dole. Well, I think the question was
22 whether they were voluntarily or involuntarily
23 separated. I think that is the difference. This
24 covers both voluntary separation or involuntary. It
25 should not be that way. It ought to be the same as

1 business, and I think that is another point.

2 Senator Riegle. We solved that problem here. I
3 can tell you this. I have had returning servicemen
4 and women from Desert Storm in Michigan come up to
5 me and tell me they cannot find work, and they are
6 not able to qualify for the benefits; and that is
7 wrong.

8 They deserve the benefits, and we fix that in
9 this legislation. But I think we should always be
10 prepared to do as much for our own people as we are
11 willing to do for other people around the world,
12 and I think we have really let that get seriously
13 out of balance.

14 Senator Dole. We ought to cut foreign aid. Cut
15 foreign aid to pay for this.

16 The Chairman. Thank you very much, Senator
17 Riegle. I am deeply appreciative of the leadership
18 you have show in addressing this problem for some
19 time, recognizing its concerns.

20 Senator Roth was next, but I believe he is
21 absent for the moment.

22 Senator Daschle.

23 Senator Daschle. Mr. Chairman, so much has
24 already been said that I was prepared to say, so I
25 only would reiterate the call for a point at some

1 point in the future when we will take on the whole
2 issue of reform. Senator Riegle mentioned one very
3 important need that cannot be delayed. I think to
4 deal with the Armed Forces as we are in this bill is
5 absolutely essential, but is only the first of a
6 series of reforms that I think are necessary.

7 The Chairman has already indicated a desire to
8 take on the issue of reform at some point in the
9 future, and I applaud his leadership in that regard.
10 Obviously, there is an emergency. A lot of people
11 are unemployed.

12 Three million people may be watching today to
13 see whether or not we have the foresight and
14 understanding of their difficulties to address this
15 issue.

16 If we fail today, I would hate to turn to them
17 and say, "We have the kind of support for Egypt, we
18 had the kind of support for foreign countries, we do
19 not have the kind of support for you under these
20 conditions." That is wrong. It is important we
21 pass this legislation this morning.

22 The Chairman. Thank you very much, Senator
23 Daschle. I believe Senator Grassley is next. Has
24 he stepped out for the moment? All right.

25 Senator Hatch.

1 Senator Hatch. Thank you, Mr. Chairman.

2 I am concerned, as I think everybody here is.
3 As the Ranking Member on the Labor Committee, we see
4 these kind of difficulties all the time. And there
5 are not any quick answers for them.

6 I have great concern for workers in Utah who
7 have suffered, and may suffer from long-term
8 unemployment, although our unemployment in our State
9 is less than most States.

10 And I know that the Chairman is no less
11 concerned about hard-working men and women in Texas,
12 and I know that the distinguished Ranking Minority
13 Member is no less worried about his constituents in
14 Oregon. And I know all of us are deeply concerned
15 about all workers, regardless of their State
16 affiliations.

17 So, I want to commend my colleagues for
18 attempting to put together a bipartisan proposal. I
19 think it has to be bipartisan for it to be
20 effective. Clearly, there is a bipartisan reason
21 for us doing something that is right for American
22 workers.

23 Now, regrettably, from my own personal
24 perspective, I worry about this issue being far too
25 important to push through this committee without

1 giving it the close attention that I think it really
2 deserves.

3 For instance, Utah has a remarkable success in
4 generating jobs in our State, and in keeping overall
5 unemployment rates low, or at least low overall.
6 Nevertheless, any individual worker in Utah that is
7 now unemployed is, as we speak, worried about how
8 they are going to continue to meet their economic
9 obligations if unemployment expires before they are
10 able to find a job.

11 And from where I sit today, I am concerned about
12 the disparate terms and conditions of this
13 particular proposal. For example, why the
14 difference between 22 weeks and 12 weeks based on an
15 additional one percent of total unemployment?

16 I wish I had a little more time to make sure the
17 unemployed citizens of Utah are being treated fairly
18 under this proposal also.

19 It seems that a worker laid off from Geneva
20 Steel in Provo, Utah is entitled to Federal
21 Unemployment Assistance of much shorter duration
22 than a worker laid off from a job in the
23 shipbuilding industry in Maine, for instance, or the
24 auto industry in Michigan.

25 The hardship--at least it seems to me--is the

1 same. And this concern may have led me--had I more
2 time and information--to offer an amendment or two.

3 Now, regrettably, however, on the basis of the
4 time and information we have now, I am concerned
5 about this amendment, and I am concerned about the
6 approach.

7 Just this week in the Appropriations Committee,
8 they could not come up with \$100 million for the
9 Food and Drug Administration. Now, this is a little
10 agency that handles 25 percent of all the consumer
11 products in America, and they are lacking about \$100
12 million in order to do the minimum job.

13 And all of us know it has got to have a lot more
14 than that, and here we are talking about almost \$6
15 billion, at least \$5 billion, that if the President
16 declares an emergency, has to be brought forward,
17 which puts a \$5-6 billion deficit crunch on the
18 budget. And I am concerned about what Senator Dole
19 said, that my gosh, here we have a budget agreement,
20 and we are already starting to attack it. Not just
21 here, but in so many other ways.

22 Now, I do not want to take any more time. I am
23 the last in seniority on this committee, but I have
24 raised these issues, and I am very concerned about
25 this particular bill.

1 Thank you, Mr. Chairman.

2 The Chairman. Well, have we made the rounds?
3 Who else would like to make some comments, offer an
4 amendment?

5 Senator Dole. Oh, amendments?

6 The Chairman. Yes.

7 Senator Dole. Yes. This would be the
8 simplified rate structure to substitute a two-tier
9 program based on an exhausted insured employment
10 rate, in place of the four-tier program based on the
11 total unemployment rate.

12 As I said in my statement, this provides more
13 benefits, it simplifies the structure of the
14 emergency programs, and I would say just as an
15 example, there are 20 members on this committee.

16 My amendment would actually do more for 10
17 members on this committee, the same for six, and
18 less for four. And the States who would get 13
19 weeks, who would receive four weeks under the
20 Bentsen plan, are Delaware, Iowa, Kansas, Minnesota,
21 New Jersey, South Dakota, Utah.

22 And in addition, those that would get seven
23 weeks under the Bentsen bill, and gets 13 weeks
24 under this would be Idaho, Maine, and New York.
25 That may be of some interest to members.

1 (Laughter)

2 Senator Dole. The point is, we have never had a
3 four-tier system before, and I think 20 weeks is a
4 little too generous. It is going to be a
5 disincentive to looking for employment. This goes
6 back to two tiers, 13 weeks maximum. It provides a
7 minimum of six weeks for all the States.

8 In other words, they get two more weeks provided
9 for by the proposal we are considering. We have got
10 a chart that breaks down the benefits of the
11 Bentsen-Packwood proposal, and my proposal, which
12 states benefit -- where is that chart? We have not
13 had much time for charts. We did not get the
14 information last night until late, and I do not
15 fault anybody.

16 And I think this saves--again, we do not know,
17 because the Labor Department has not had an
18 opportunity to give us the estimates--about one or
19 two billion dollars. Anybody on this panel get any
20 information on that?

21 Ms. Malone. Senator, I have not seen your
22 amendment at this point, so I have no data.

23 Senator Dole. Let me send the amendment.

24 The Chairman. Has the Senator finished for the
25 moment?

1 Senator Dole. Yes.

2 The Chairman. As I understand it, it would
3 substitute the insured unemployed for total
4 unemployed. One of the problems we are running into
5 in the insured unemployment is the difficulty in
6 qualifying. What we are seeing over the years,
7 particularly through the 1980s, is a smaller and
8 smaller percentage of those people unemployed that
9 can qualify.

10 What we are also looking at is a great
11 disparity, a great difference among States as to
12 what the insured unemployment amounts to, what the
13 number is.

14 Let me give you an example. If we are talking
15 about the Senator from Michigan, Senator Riegle's
16 State, unemployment now 9.6 percent in his State, as
17 I recall. Just now with that have they triggered
18 the extended benefits. Just now the extended
19 benefits have been triggered.

20 In my own State, the total unemployment rate--
21 and three other States, States like South Dakota,
22 Virginia, Florida--the total unemployment figure
23 would have to get to 15 percent to qualify on the
24 insured unemployment rate under the present
25 provisions. A great difference between them.

1 So, what you are saying, I think, is a situation
2 where you get a much truer reflection by taking the
3 total unemployment rate to try to determine when you
4 start applying the benefits. One of the things you
5 see under the insured rate is the people whose
6 benefits have run out no longer count.

7 Senator Dole. We are going to correct that.

8 The Chairman. You are going to correct that
9 one. That is fine.

10 Senator Dole. Yes.

11 The Chairman. Now, if you correct it all the
12 way and get to total unemployment, we will have this
13 thing done, and we would be back to where we are and
14 what we are recommending. But when you have the
15 kind of differences between the States that I have
16 shown you that shows you how difficult it is, if a
17 fellow is out of work in one State, it is the same
18 as being out of work in the other State.

19 One of the things we have also tried to do is to
20 give, of course, more of the benefits to those
21 States that have the highest of the total
22 unemployment. And to answer my friend, Senator
23 Hatch on that point, one of the reasons for that is
24 that in those States with that many unemployed, it
25 is much more difficult to find a job for the person

1 who is unemployed.

2 And then on total unemployment rate, we are
3 moving more and more to that direction in trying to
4 allocate Federal programs. It is used to establish
5 State and local area funding allocations, and
6 priorities in Federal programs, such as job
7 training, emergency assistance, and public works.

8 And, as the Senator from New York was saying
9 earlier, we have been able to refine those numbers
10 more and more. There is much better information
11 available in that regard.

12 So, what we are talking about here is a six
13 month's average, and it is a rolling average to try
14 to take care of situations that are developing like
15 in the State of New Jersey right now, where you have
16 seen a merger of companies where they are talking
17 about thousands and thousands thrown out of
18 employment because of that.

19 So, I think it is a better application. An
20 example here of what the current law is to show you
21 how ridiculous it gets with unemployment now at
22 seven percent, you have only three States that
23 qualify. That is Alaska and Maine -- what is the
24 third, is it Rhode Island?

25 Ms. Malone. Rhode Island.

1 The Chairman. Rhode Island that qualifies, and
2 Puerto Rico. That is all that qualifies under the
3 present system. Now, do you have the other one that
4 shows what we do under the Bentsen-Packwood
5 proposal? This is what your coverage is under this
6 proposal, and we take care of all States. But, of
7 course, on those States with the lowest
8 unemployment, we do it at four weeks.

9 And the reason there is to try to take care of
10 these pockets of high unemployment to try to assist
11 them in that regard. The proposal has been well
12 thought out, I believe, and I think does the job.
13 And I would urge my colleagues to support that
14 proposal in opposition to my friend, Senator --

15 Senator Symms. Mr. Chairman, can I ask a
16 question on that point?

17 The Chairman. Yes.

18 Senator Symms. Just for my edification--and
19 maybe Marina or someone on the staff could answer,
20 or the Chairman might--but it is my understanding
21 that each State has their own law that triggers how
22 the payment goes, is that not correct?

23 Ms. Malone. Basically, Senator, there is a
24 national trigger requirement, but each State can set
25 its own eligibility requirements for unemployment

1 compensation.

2 Senator Symms. Well, like, is Texas not at 15
3 percent that you have to get before it triggers?

4 Ms. Malone. No.

5 The Chairman. On total unemployment. On the
6 Federal, as I recall, it is five percent, or 20
7 percent over the preceding two years.

8 Ms. Malone. That is right, Senator.

9 The Chairman. And in the State of Texas, total
10 unemployment. And Florida, and Virginia, and South
11 Dakota would be 15 percent before it is triggered.
12 And my friend in Michigan, it is over nine percent.

13 Senator Symms. Well, what I am trying to ask is
14 are these States in a situation where if their law
15 trigger was different they would not have to be in
16 here asking us to change this, or do I have a
17 misunderstanding of it?

18 Ms. Malone. Senator, the trigger is the same
19 for all States, but States do have different
20 qualifying conditions for unemployment compensation
21 benefits.

22 Senator Symms. That is what I am talking about.

23 Ms. Malone. That is right. For example, they
24 may have different monetary requirements in that
25 some States will qualify you for unemployment

1 compensation some minimum benefit if you earn as
2 little as \$600 over a base period, and in other
3 States, that requirement might be \$2,800.

4 So, States do set their rules, and there are
5 differences among States in who qualifies for
6 unemployment compensation. There are also
7 differences in the rules relating to such things as
8 availability for work.

9 For example, there are some States that say you
10 have to be available for full-time work, not part-
11 time work. So, someone who feels for some reason or
12 other he cannot work full-time will not be counted
13 in the IUR, or not be eligible for unemployment
14 compensation in that State.

15 The Chairman. Thank you.

16 Senator Dole. Mr. Chairman.

17 The Chairman. Yes, Senator.

18 Senator Dole. This is a major piece of
19 legislation, and I am not going to criticize the
20 Chairman, because I have had that position at one
21 time. And I know that I have got to believe that
22 there is just a political effort here to get this
23 out on the floor and get it up next week, and so
24 take care of the Labor Day activities in September,
25 because we do not come back until after Labor Day.

1 The Chairman. Not a bad idea. I had not
2 thought of that, but that is --

3 (Laughter)

4 Senator Dole. But we do have members of the
5 administration or the Department of Labor who could
6 explain the technicalities. And again, I am not an
7 expert on unemployment benefits, and we had no
8 hearings on this legislation. As I said, it was
9 given to us at 7:00 o'clock. We have hardly had
10 time to draft amendments. We do not have cost
11 estimates.

12 We could object now to the committee sitting
13 because there is not consent given for us to sit
14 after 10:30. I do not intend to do that, but I am
15 trying to figure out how we can get a little time to
16 address some real concerns with this legislation.

17 We have never had a four-tiered system before.
18 It is cumbersome. I think if you would ask most
19 States, they would rather have a simplified, two-
20 tier system. And as I have indicated, we go back to
21 my amendment. We count the exhaustees. We take
22 care of the concern of the Senator from Michigan,
23 because it is a real concern, and the concern raised
24 by the Chairman--at least we think we have in our
25 amendment. But again, these are technical issues

1 that I would like, if it is possible, to have
2 somebody from the administration, Labor Department,
3 at least be heard on it, if only briefly.

4 The Chairman. I would say -- yes, of course.

5 Senator Baucus. Mr. Chairman, with great
6 respect, may I say in not any partisan way at all
7 that there is no social insurance program in the
8 United States put in place which has been allowed to
9 erode in the manner of unemployment insurance.

10 Thirty years ago when President Kennedy came to
11 office, he had a problem with unemployment. But
12 there was no problem with unemployment insurance.
13 It routinely covered almost two-thirds of the
14 persons who said, yes, I am out of work.

15 Thirty years goes by, and that same program now
16 barely covers one-third. The proportion of covered
17 has been cut in half.

18 And sir, we have never had a word from a
19 Secretary of Labor in the last decade saying this is
20 a problem. I am supposed to look out for this
21 subject, and we have had some great Secretaries of
22 Labor. But the OMB has obviously kept them from
23 coming up here.

24 (Laughter)

25 Senator Baucus. And they just have not talked

1 to us.

2 Senator Dole. I agree with part of that
3 statement, yes.

4 (Laughter)

5 The Chairman. If I might comment further, the
6 Secretary of Labor has been before this committee
7 testifying on unemployment compensation. Mr. Darman
8 has been up before the Congress testifying on
9 unemployment compensation.

10 The specifics of this plan have been discussed
11 with staff on both sides now for several weeks, so
12 it is not that they have been without knowledge of
13 what we are talking about at the present time.

14 And I must say in all candor that I really do
15 not think we ought to be going out on recess of over
16 a month without having dealt with this problem for
17 people who are out of work, and trying to see that
18 we get the extended benefits accomplished.

19 Senator Dole. I agree with the Chairman, and I
20 would like to be in a position to help urge the
21 President to adopt some program. But I do not
22 really believe that we can expect the President to
23 sort of take this sort of give-all, give to
24 everyone, feel good approach when we know that it
25 should be tightened up. Now, if we want to tighten

1 it up and simplify it so it is better administered
2 at a State level, reduce the costs, give the
3 President some options on what an emergency might
4 be. Then I think he might be persuaded. I have not
5 discussed this with him, but it was discussed
6 generally at a leadership meeting yesterday morning
7 at the White House. So, I agree with the Chairman.
8 If somebody out there is hurting, we should not go
9 off for five or six weeks and say, well, we will
10 take care of it when we come back. But I would hope
11 if we cannot do it in the committee -- and it does
12 not seem like that will happen, when we might have
13 an opportunity to address some of these real
14 concerns. Again, let me state -- and I am prepared
15 to vote, I think, it is a pretty foregone
16 conclusion.

17 Let me again remind members on this committee
18 that ten States do better under the simplified plan
19 than under the Bentsen proposal, six States do not
20 do any worse; they are neutral; four States do a
21 little better under the Bentsen proposal.

22 Ours is simplified, and again, it is my
23 understanding--we have not had time to check it, we
24 will have those figures available as soon as we have
25 it--but would save \$1-2 billion.

1 And as far as the IUR and the TUR is concerned,
2 I do not know why we have to count people who are
3 not out looking for work, unemployed college
4 students who may be back in school in the winter
5 time, it seems to me, we have never done that before
6 under Republican or Democratic Administrations.

7 And again, this is an enlargement of that
8 program, unprecedented. If we really want to take
9 care of people who are out of work and people who
10 need help, let us have a realistic program.

11 If we want to send the President a very
12 expensive, expansive, ridiculous program that he
13 cannot accept, then we will go ahead and just adopt
14 this program, and why have any debate, and why have
15 any votes?

16 If you want a political issue, we can have the
17 political issue. If we want to help the unemployed,
18 then we ought to put together a bipartisan package
19 that we can go to the President with and say this
20 has the support of Republicans and Democrats.

21 Having said that, I am prepared to --

22 Senator Chafee. Well, Mr. Chairman, I have a
23 couple of questions, if I might.

24 The Chairman. Yes, of course, Senator.

25 Senator Chafee. I would like to ask the staff.

1 The distinguished Republican Leader raised the point
2 about servicemen who voluntarily retire. Let us
3 just take a case of a serviceman who served in -- I
4 do not think there is any connection with Desert
5 Storm.

6 The Senator from Michigan mentioned Desert
7 Storm. I am not sure that is involved here, is it?
8 Let us take the case of a serviceman who reached his
9 20 years and decided to retire voluntarily. Does
10 not have to, but decided to leave the U.S. Navy.
11 Let us take the U.S. Army. Served in Desert Storm,
12 decided to take his pension at 20 years.

13 Now, what happens to him under this proposal?
14 Can he then go down and collect 13 weeks of
15 unemployment compensation, plus 13 or 20 more?

16 Ms. Malone. Yes, Senator, he can. However, any
17 pension payments would be deducted from his
18 unemployment, so he would not get both.

19 Senator Chafee. Well, is that a departure from
20 the existing system, or is that the same?

21 Ms. Malone. No, that is the current rule. This
22 change does not affect basic eligibility rules for
23 unemployment compensation for servicemen. Those
24 have been in place for some time. All this does,
25 basically, is change the number of weeks that they

1 can be eligible for, and say that they will not have
2 to have a four-week waiting period rather than a
3 one-week waiting period.

4 Senator Chafee. Could I just finish this, if I
5 might? Could you tell me what this does as regards
6 a reserve serviceman who is called up and let us say
7 he served in Desert Storm for six months and then
8 came back. What happens? What does this do?
9 First, under the GI bill, he gets his job back,
10 anyway, if there is a job there. But let us set
11 that aside. The first thing it does is reduces the
12 waiting period from X weeks to one week.

13 Ms. Malone. That is right.

14 Senator Chafee. What is it, three weeks?

15 Ms. Malone. From four weeks to one week.

16 Senator Chafee. Four weeks to one week. Now,
17 why was the four weeks in there to begin with?

18 Ms. Malone. Senator, that was put in, as I
19 understand it, earlier in this decade, and I think
20 the general rationale at that time--it was in a
21 cost-cutting package--the rationale was that someone
22 leaving the service ordinarily could plan ahead and,
23 therefore, was less likely to be unemployed. In
24 other words, he would have had time to look for a
25 job.

1 Senator Chafee. Now, this change from four to
2 one week is not a permanent change, this is just in
3 connection with this particular piece of
4 legislation, is that right?

5 Ms. Malone. The changes with respect to ex-
6 service members is a permanent change in the law, so
7 the waiting period provision would be a permanent
8 change, and the 26 weeks of eligibility rather than
9 13 weeks would also be a permanent change.

10 Senator Chafee. Mr. Chairman, you are catching
11 us all cold here. Here we are making a change in
12 something that has been established, presumably
13 there was some reason for it. And as far as Desert
14 Storm goes, or some reserve called up, I can see
15 that.

16 The Chairman. Well, what we are trying to do,
17 Senator --

18 Senator Chafee. But as for the permanent
19 change, I really have a problem.

20 The Chairman. What we are doing is trying to
21 put the serviceperson on a parity with a civilian.
22 Is that not the situation, Ms. Malone?

23 Ms. Malone. That is true.

24 The Chairman. And I think that is fairness.
25 That is equity. And as far as catching you by

1 surprise, the specifics of this have been available
2 to your staff for some time.

3 Senator Chafee. Well, that is not what my staff
4 tells me, and maybe --

5 Senator Dole. You are co-sponsor. You ought to
6 get it early.

7 Senator Chafee. Well, I was a co-sponsor as of
8 last night. You said you got it at 9:00.

9 Senator Dole. 7:00.

10 Senator Chafee. I got it at 6:30, so I had a
11 privileged position there.

12 Senator Dole. That is because you are co-
13 sponsor.

14 (Laughter)

15 The Chairman. We are just trying to put them on
16 parity with the civilians. I do not think any of us
17 can quarrel with that.

18 Senator Dole. But if a civilian voluntarily
19 leaves their job, can they get unemployment
20 compensation?

21 Ms. Malone. Ordinarily not.

22 Senator Dole. Well, you are talking about
23 parity. You are saying a serviceman can receive
24 compensation, but somebody making the same amount of
25 money in a civilian job who walks away cannot. Is

1 that parity? Not in our part of the country it is
2 not. How do you answer that question? You do not
3 answer that question.

4 The Chairman. Well, if you are talking about
5 someone -- I have heard the example of someone that
6 has had 20 years and retires, that person better
7 find himself a job, he is not going to be able to
8 live on that.

9 Senator Dole. No. I mean, somebody can leave
10 the Army, or somebody can leave a job, they ought to
11 be treated the same. But you should not give an
12 advantage to somebody out there with a family in
13 Russell, Kansas --

14 The Chairman. Well, let me tell you, my friend,
15 when they told me that I had enough points to get
16 out, I grabbed it. And then I knew I had to go try
17 to find a job. And I have a hunch you did, too.

18 Ms. Malone. One point that has been made on
19 this particular issue, Senator, is that because
20 there will be a down-sizing of the military over the
21 next few years, there will be a greater need,
22 perhaps, for unemployment compensation benefits.

23 Senator Dole. But there is also going to be a
24 down-sizing in the whole defense structure. There
25 are going to be a lot of people out of work. There

1 are thousands out of work every week. You are
2 seeing all these banks merge, and they are putting
3 1,000 out of work; 8,000 people out of work. So, it
4 seems to me we are talking about parity, then there
5 ought to be fair treatment whether you are in
6 uniform or out of uniform; you are still out of
7 work, is my point.

8 The Chairman. The Senator said he was ready for
9 a vote, the proponent of the bill. With that, I
10 would like --

11 Senator Hatch. Mr. Chairman, could I just ask
12 one question?

13 The Chairman. Yes.

14 Senator Hatch. How many people are involved as
15 of right now in the military that are covered, or
16 affected by this, do you have any estimate?

17 Ms. Malone. We can see if the Department of
18 Labor has an estimate on that.

19 Senator Hatch. If you have an estimate, I would
20 like to know what that is.

21 The Chairman. Well, we are talking about the
22 amount of money involved is about \$600 million, as I
23 recall, is that not correct?

24 Ms. Malone. That is right. Yes. It is \$600
25 million in five years.

1 The Chairman. \$600 million is for the
2 military.

3 Ms. Malone. But we do not have any estimate of
4 the number of individuals involved there.

5 Senator Hatch. All right. Do these people get
6 severance pay, some of them, in the military? They
7 get retired pay.

8 Ms. Malone. But the retirement pay, Senator, if
9 they leave with retirement it is offset, yes, sir.

10 Senator Hatch. All right.

11 The Chairman. All right. If there is nothing
12 further, are you prepared to --

13 Senator Dole. Yes. I am prepared. This little
14 chart I passed out which I think members should look
15 at, particularly those from New Jersey --

16 The Chairman. Would you like a roll call,
17 Senator?

18 Senator Dole. Well, I would like a roll call.

19 The Chairman. You want a roll call, did you
20 say?

21 Senator Dole. Yes.

22 The Chairman. All right.

23 Senator Dole. You have the votes, but --

24 The Chairman. Call the roll, please.

25 The Clerk. Mr. Moynihan.

1 Senator Moynihan. No.
2 The Clerk. Mr. Baucus.
3 The Chairman. No by proxy.
4 The Clerk. Mr. Boren.
5 The Chairman. No by proxy.
6 The Clerk. Mr. Bradley.
7 Senator Bradley. No.
8 The Clerk. Mr. Mitchell.
9 The Chairman. No by proxy.
10 The Clerk. Mr. Pryor.
11 The Chairman. No by proxy.
12 The Clerk. Mr. Riegle.
13 Senator Riegle. No.
14 The Clerk. Mr. Rockefeller.
15 Senator Rockefeller. No.
16 The Clerk. Mr. Daschle.
17 Senator Daschle. No.
18 The Clerk. Mr. Breaux.
19 The Chairman. No by proxy.
20 The Clerk. Mr. Packwood.
21 Senator Packwood. No.
22 The Clerk. Mr. Dole.
23 Senator Dole. Aye.
24 The Clerk. Mr. Roth.
25 Senator Dole. Aye by proxy.

1 The Clerk. Mr. Danforth.

2 Senator Danforth. No response.

3 The Clerk. Mr. Chafee.

4 Senator Chafee. No.

5 The Clerk. Mr. Durenberger.

6 Senator Dole. Aye by proxy.

7 The Clerk. Mr. Symms.

8 Senator Symms. Aye.

9 The Clerk. Mr. Grassley.

10 Senator Dole. Aye by proxy.

11 The Clerk. Mr. Hatch.

12 Senator Hatch. Aye.

13 The Clerk. Mr. Chairman.

14 The Chairman. No.

15 The Clerk. There are seven in favor, 13
16 opposed.

17 The Chairman. Are there further amendments?

18 Senator Dole. Yes.

19 The Chairman. All right. Senator Dole.

20 Senator Dole. This is the one that would
21 correct the ex-servicemembers' extended benefits.
22 This would limit the additional benefits of
23 unemployment compensation to former members of Armed
24 Services to those who are involuntarily separated
25 from the Armed Services, or are extended beyond

1 their regular release date. In addition, to limit
2 the reduction in the length of required active duty
3 by reserves to only those serving in the Persian
4 Gulf conflict.

5 So, what we attempt to do here is to put
6 servicepeople who voluntarily retire on the same
7 footing as others who just walk away from their job.
8 I am prepared to vote on it.

9 The Chairman. Well, it seems to me, Senator, I
10 would think that would be particularly true of
11 Desert Storm. Someone comes back, and they are
12 ready to get out, and yet, a job is not available.
13 I do not see any reason why he should not have the
14 extended benefits.

15 Senator Dole. Well, what about the person in
16 the defense plan that is shut down because we are
17 cutting defense 25 percent?

18 The Chairman. Well, if he is involuntarily cut
19 out -- I think the military is a situation. I would
20 not want to be on the other side of that amendment.
21 But we are prepared to vote if you are.

22 Senator Bradley. Mr. Chairman, I thought one of
23 the objectives was to facilitate people who want to
24 leave the military rather than making it more
25 difficult. It seems to me this would make it

1 consistent with purpose.

2 The Chairman. Let me correct the vote from a
3 moment ago. They registered Senator Danforth, who
4 was not voting, and so it is six to 13, instead of
5 seven to 13.

6 Senator Dole. Yes, I did not vote him.

7 I think on this amendment, again, we have not
8 had the Department of Labor's input. I would
9 accept a voice quote, and I have two others that I
10 will accepted voice quotes on.

11 The Chairman. All right. All in favor of the
12 amendment the Senator from Kansas wrote say aye.

13 (A chorus of ayes.)

14 The Chairman. Opposed?

15 (A chorus of nays.)

16 The Chairman. It does not carry.

17 Does the Senator have a further amendment?

18 Senator Dole. Yes. On the advisory council,
19 just delete that section. That has been in the law
20 since 1982. It has never been activated, but do we
21 need to have another one to replace the one that has
22 never happened?

23 Ms. Malone. There has been a provision in the
24 statute, Senator, and it is true that the Department
25 of Labor at one point did activate it, did make some

1 appointments, and it did not do anything. This
2 advisory council would be somewhat different. It
3 would be an advisory council that would be appointed
4 jointly by the Congress and by the President. It
5 would not be a sole Department of Labor advisory
6 council.

7 Senator Dole. Well, could we repeal one?

8 Ms. Malone. Yes, Senator, it does.

9 Senator Dole. It does repeal the other one?

10 Ms. Malone. This would replace the one that
11 never actually reported anything.

12 The Chairman. Does the Senator still want to
13 propose an amendment, or not?

14 Senator Dole. I think on that one, as long as
15 we do not have two advisory councils. We have a lot
16 of those.

17 The Chairman. All right.

18 Ms. Malone. The bill is drafted, Senator, so
19 that this one replaces the existing one.

20 Senator Dole. I would have to know the make-up.
21 Is it sort of bipartisan, or is it --

22 Ms. Malone. It would be five appointed by the
23 President, three by the Speaker of the House, and
24 three by the President pro tempore of the Senate,
25 and the President would appoint the Chairman.

1 Senator Dole. Now, how would that break down?

2 Let us see, five --

3 Ms. Malone. Five and six, with the President
4 appointing the Chairman.

5 The Chairman. The President would have the
6 Chairmanship to balance that off, to a degree.

7 Senator Dole. But on the three appointed in the
8 Senate by the President pro tempore, are those
9 divided?

10 Ms. Malone. No, they are not. It is simply the
11 President pro tempore's discretion, in consultation
12 with the Chairman of the Finance Committee.

13 Senator Dole. So, you end up with six Democrats
14 and five Republicans, as I look at it.

15 The Chairman. But you have the Chairmanship,
16 and that does make a difference.

17 Ms. Malone. Senator Dole, this is not a one-
18 time commission. This would be an advisory council
19 that would be a continuing advisory council, as the
20 Social Security Advisory Council is, and it would be
21 reappointed every four years.

22 The Chairman. So, if you won control you would
23 have it.

24 Senator Dole. But if you ever got the White
25 House, you would really have something.

1 The Chairman. All right.

2 Senator Dole. Well, I think we will correct
3 that on the floor.

4 Then my next one is to repeal the luxury tax
5 since this is an unemployment bill and there are a
6 lot of people losing their jobs because of the
7 luxury tax. I would offer an amendment to repeal
8 the luxury tax.

9 The Chairman. Let me state on that one, I
10 understand there is a great deal of sympathy for
11 that. But I would say, to put it on this bill, let
12 us not kid ourselves.

13 The reason to put it on this bill is to kill
14 this bill, because without a question, it will get
15 blue-slipped by the House. And so, I would urge you
16 very strongly to resist it and wait for the
17 appropriate time for the consideration of that
18 measure.

19 Senator Dole. Let me say with all respect to
20 the Chairman, you talk about a rush job, I mean, we
21 have not had a chance to really get into the merits
22 of this bill. I am just trying to slow things down
23 here with a little well-balanced amendment --

24 (Laughter)

25 Senator Dole. -- that would put people back in

1 their boats.

2 (Laughter)

3 Senator Chafee. Mr. Chairman, I think that the
4 Republican Leader has latched onto something, and it
5 sounds pretty good to me, here. I would like a roll
6 call on this one.

7 (Laughter)

8 Senator Bradley. Mr. Chairman, is the Senator
9 Kansas' amendment amendable?

10 Senator Dole. I do not think so.

11 (Laughter)

12 Senator Bradley. I mean, I have been waiting
13 for a long while for a vehicle to deny the deduction
14 for tobacco advertising. Maybe the boats can carry
15 it over.

16 The Chairman. But this is not amendable.

17 Senator Bradley. I think it should be
18 amendable.

19 The Chairman. But I think the Senator from New
20 Jersey makes a very valid point. If we start down
21 that road, we will have all kinds of tax amendments,
22 and this bill is dead. And the people that are
23 proposing it have to understand that, or who would
24 vote for it. And we ought to wait for the
25 appropriate time for consideration of such.

1 Senator Dole. I am not offering this to kill
2 the bill, I am just offering this to give us a
3 little time to understand the bill.

4 The Chairman. Yes.

5 Senator Dole. We ought to be entitled to at
6 least 24 hours before the execution. It seems to me
7 that we do not make any money, we lose money on the
8 luxury tax. You do not have to find an offset for
9 this, because it is losing money and jobs. So,
10 there is no offset needed.

11 The Chairman. Is the Senator then offering the
12 amendment?

13 Senator Dole. Yes.

14 The Chairman. I move to table the amendment.

15 Senator Chafee. Mr. Chairman.

16 The Chairman. Yes.

17 Senator Chafee. Oh. I am sorry. If the
18 Chairman moved to table, I guess it is over.

19 The Chairman. I have moved to table.

20 Senator Dole. I ask for the ayes and nays.

21 The Chairman. The ayes and nays are asked for.

22 Will the Clerk call the roll?

23 The Clerk. Mr. Moynihan.

24 Senator Moynihan. Aye.

25 The Clerk. Mr. Baucus.

1 The Chairman. Aye by proxy.
2 The Clerk. Mr. Boren.
3 The Chairman. Aye by proxy.
4 The Clerk. Mr. Bradley.
5 Senator Bradley. Aye.
6 The Clerk. Mr. Mitchell.
7 The Chairman. Aye by proxy.
8 The Clerk. Mr. Pryor.
9 The Chairman. Aye by proxy.
10 The Clerk. Mr. Riegle.
11 Senator Riegle. Aye.
12 The Clerk. Mr. Rockefeller.
13 Senator Rockefeller. Aye.
14 The Clerk. Mr. Daschle.
15 Senator Daschle. Aye.
16 The Clerk. Mr. Breaux.
17 The Chairman. Aye by proxy.
18 The Clerk. Mr. Packwood.
19 Senator Packwood. Aye.
20 The Clerk. Mr. Dole.
21 Senator Dole. No.
22 The Clerk. Mr. Roth.
23 Senator Roth. No.
24 The Clerk. Mr. Danforth.
25 Senator Danforth. No response.

1 The Clerk. Mr. Chafee.

2 Senator Chafee. No.

3 The Clerk. Mr. Durenberger.

4 Senator Dole. No by proxy.

5 The Clerk. Mr. Symms.

6 Senator Symms. No.

7 The Clerk. Mr. Grassley.

8 Senator Grassley. No response.

9 The Clerk. Mr. Hatch.

10 Senator Hatch. No.

11 The Clerk. Mr. Chairman.

12 The Chairman. Aye.

13 Senator Dole. For the record, I do not have
14 Senator Grassley's proxy. But I guess those who did
15 not, can they record themselves by noon?

16 The Chairman. By noon. That would be
17 agreeable, if it is agreeable to the committee.

18 Senator Bradley. Mr. Chairman.

19 The Chairman. Yes.

20 Senator Bradley. I would hope that those who
21 want to repeal the boat tax--I being one--do not
22 take this vote as a serious attempt to repeal the
23 boat tax. This was an amendment that was offered,
24 but it was clearly offered on a bill that was not
25 related to taxes, and that is why I voted the way I

1 voted.

2 Senator Dole. Mr. Chairman, if I could just --
3 it is a bill offered on unemployment, and this
4 luxury tax is putting a lot of people out of work in
5 New Jersey and other States.

6 The Chairman. The amendment is tabled. All
7 right. Are there further? The vote was 12 to six.

8 Are there further amendments? Yes.

9 Senator Dole. I want to delete the emergency
10 designation. As I understand, this is all going to
11 be passed and sent to the President, so the buck
12 stops there. If he does not say it is an emergency,
13 nothing happens, is that correct?

14 The Chairman. That is correct.

15 Senator Dole. Without a veto?

16 The Chairman. No, he does not have to veto. We
17 have deemed it--those who vote for it--that an
18 emergency exists, just as we had agreed with him
19 when he requested emergency status for assistance
20 for the Kurds, for the Turks, for Israel. We agreed
21 with that. It takes two in this situation. In
22 turn, we hope that he will agree with us.

23 Senator Dole. So this will just delete the
24 emergency and make us pay for it, something we do
25 not like to do in Congress, and I would ask --

1 The Chairman. All right.

2 Senator Riegle. Just before you put that, it
3 has already been paid for. We have collected \$8
4 billion in this fund for precisely this purpose.
5 There is an emergency procedure in the budget
6 agreement. This conforms to that. I think to talk
7 about collecting the money twice is really --

8 Senator Dole. But it sidesteps the agreement we
9 had on the budget, which was not easy to come by.
10 And now we find our colleagues on the other side
11 trying to ignore the budget agreement on spending,
12 and it seems to me we cannot have it both ways.

13 The Chairman. We went at this at some length,
14 and I was out there with the Senator from Kansas in
15 one of the most arduous, most difficult sets of
16 negotiations I have experienced since I have been in
17 the Senate. A great deal of effort on all sides in
18 trying to arrive at it.

19 One of the things we could not figure was how
20 long the recession was going to be, or how deep that
21 recession was going to be. And we could not figure
22 how insured unemployment rates would be so
23 inapplicable that you would have it ending up with
24 seven percent unemployment and only three States
25 qualifying. Those are the things we did not see.

1 We do see them now, and we also set up--and very
2 carefully did--emergency procedures availability for
3 those kinds of situations. The President has asked
4 for that several times, and we have gone along with
5 that. In this instance, we are asking him to go
6 along with it.

7 Senator Baucus. Mr. Chairman.

8 The Chairman. Yes.

9 Senator Baucus. Mr. Chairman, could I just add
10 to the point that the Senator from Michigan made
11 about this has already been paid for? I held a
12 hearing on this subject in New York a month ago, and
13 there was no more insistent voice with respect to
14 the need to provide extended benefits than from the
15 New York business community.

16 The New York Chamber of Commerce, the oldest
17 such body in the country, said these monies are paid
18 by employers, and they pay them into this fund, and
19 they expect that when they are needed they will be
20 paid out. It is a bond between employer and
21 employee in companies that have cyclical
22 unemployment.

23 They want their workers when they are laid off
24 temporarily to get their unemployment, get it
25 promptly and have it adequate. It is insurance

1 paid for by employers for employees, and it is now
2 not being paid. It is another trust fund that is
3 being debauched in the name of voodoo economics, I
4 do not know what.

5 The Chairman. Are there further comments?

6 Senator Dole. Mr. Chairman, if I might just
7 take ten seconds. Again, it just sidesteps the
8 budget agreement. We can sit here all day and make
9 these great statements. We are all concerned about
10 the unemployed, but why do we not find a way to
11 offset the cost?

12 This was part of the budget agreement. We spent
13 a lot of time on trust funds in the budget
14 agreement. Everybody knew this would be an effort
15 that could be used later by Republicans or Democrats
16 to sidestep the agreement and if we want to do
17 that, we meant what we said in the budget agreement
18 in the first place. Having said that, I think I
19 know the outcome. I just want to make the record --
20 not require a roll call vote.

21 The Chairman. All right. All in favor of the
22 amendment opposed by the Senator from Kansas, say
23 aye.

24 (A chorus of ayes.)

25 The Chairman. Opposed?

1 (A chorus of nays.)

2 The Chairman. The nays appear to have it. The
3 nays have it. The amendment fails.

4 Have we further consideration? If not -- all
5 right.

6 Senator Dole. I have other amendments. We have
7 not had much time to really get into serious
8 amendments, but at least we have tried to make a
9 record that this is serious legislation, and I
10 assume the next step would be to raise additional
11 amendments on the floor.

12 The Chairman. Yes, of course.

13 Senator Dole. Hopefully, between now and then--
14 and I say this in all seriousness--there will be an
15 effort by both sides to try to work out some
16 responsible program that addresses the needs of
17 unemployed workers where their benefits have been
18 exhausted, and certainly that would be my hope.

19 I think the Chairman has expressed his
20 willingness to try to see what can be done. But I
21 think it is unfair to the President to ship him down
22 a bill that expands everything, expands beyond any
23 recognition of present unemployment benefit
24 structures, and say, now, Mr. President, it is up to
25 you. If you declare it an emergency; all right.

1 You do not have to pay for it, there is no pain.
2 But if you do not, then you are held responsible
3 when those out there, those unemployed men and women
4 do not receive their benefits. I do not think that
5 is fair to the President. I think we are ducking
6 our responsibility in the Congress. But having said
7 that, will there be an opportunity to file Minority
8 views?

9 The Chairman. Oh, absolutely, Senator.

10 Senator Dole. I mean, I may vote for the final
11 product, but this, in my view, is not the final
12 product.

13 The Chairman. Thank you, Senator. And I will
14 be delighted, as I know other members of this
15 committee will be, to meet with administration
16 officials and listen to their concerns as we have in
17 the past.

18 Senator Chafee. Mr. Chairman, I would hope that
19 this part dealing with the servicemen can be
20 straightened out so that it treats -- the Chairman
21 indicated they wanted everybody treated the same.

22 I think we do want that, and I think those who
23 voluntarily retire in some fashion should be treated
24 like those who voluntarily retire from a business,
25 or voluntarily leave their jobs. But it is very

1 complicated, and I must say I cannot pretend that I
2 understand either the rationale for the present law,
3 nor what we have exactly done here today. So, I
4 hope during the interim period before this comes up
5 on the floor we can get some greater indication of
6 how that all works.

7 The Chairman. Well, we would be delighted to
8 visit at length with the Senator from Rhode Island
9 in regard to that.

10 Senator Riegle. Mr. Chairman.

11 The Chairman. Yes.

12 Senator Riegle. If I could just say one thing.
13 I must say, I mean, we have had a series of
14 amendments, and I gather more are coming. But I am
15 really struck by the fact that we have got all of
16 these unemployed people around the country
17 triggering off the unemployment compensation, jobs
18 disappearing everywhere, IBM laying off 17,000
19 permanent employees; UNISIS yesterday, 10,000;
20 Senator Dole mentions the bank mergers, 9,000 in the
21 case of that, and so forth. We are in here to try
22 to do something about getting the money in the fund
23 to these workers who are out of work and destitute,
24 are not getting the benefits they are supposed to
25 get. And then we get an amendment on the boat tax

1 that has -- that really is addressed --

2 Senator Dole. That is also included in
3 automobiles made in Michigan.

4 Senator Riegle. Well, what I heard mentioned
5 was the boat tax where we are talking about boats
6 that cost over \$100,000. Because if you buy a boat
7 for less than \$100,000, you do not pay the luxury
8 tax.

9 So, it is a luxury boat above \$100,000. I do
10 not know how many people in the country buy those in
11 a given year. I suspect some of the people that
12 would buy them, the high-fliers, are maybe not
13 flying quite so high right now, so they might not be
14 buying them with or without the luxury tax.

15 But that aside, the notion of juxtaposing the
16 need to relieve that group of this tax versus all
17 these unemployed workers out there who are not
18 finding jobs, have run out of money, money in the
19 fund, they cannot get it; to put those two things on
20 the same footing and to try to sort of present them
21 as the same problem is just really quite stunning to
22 me. I just wanted to make that observation.

23 Senator Dole. Well, Mr. Chairman, let me
24 briefly reply to that, if I might. We are not
25 worrying about the people buying the boats; we were

1 worrying about the people building the boats. They
2 are the ones that are losing their jobs. This is
3 not a great relief effort for those who are
4 purchasing yachts.

5 Senator Riegle. Does it not help the people
6 that buy the boats?

7 Senator Dole. They go to Europe and buy their
8 boats.

9 Senator Riegle. Of course it helps them.

10 Senator Dole. No. They go to Europe to buy
11 their boats. What we are concerned about is those
12 thousands and thousands of boat builders who have
13 lost their jobs.

14 And it seems to me incomprehensible that you sit
15 there and you worry about your people in Michigan,
16 but nobody else counts in the country, apparently.
17 And there are thousands of boat builders, low-income
18 individuals, whose livelihoods are dependent on
19 building these boats.

20 Senator Riegle. The \$100,000 and up boats.

21 Senator Dole. You are right.

22 Senator Chafee. They are built by people. They
23 do not just happen. Somebody makes them.

24 (Laughter)

25 Senator Riegle. I understand that. I

1 understand that. We build some in my State, as a
2 matter of fact.

3 The Chairman. Let me say, we have had several
4 amendments we have considered this morning, and
5 obviously we are going to have a lot more that we
6 consider on the floor. And between now and then, we
7 will be discussing these things at length with
8 administration officials, seeing what others we
9 might consider.

10 If there is no further discussion, I am ready to
11 move on this bill.

12 Senator Dole. Mr. President.

13 The Chairman. Yes.

14 Senator Dole. Excuse me.

15 The Chairman. Well, there is a nice ring to
16 that.

17 (Laughter)

18 Senator Dole. Something we both understand,
19 yes.

20 (Laughter)

21 Senator Dole. But I would hope in the spirit of
22 hopeful agreement we just voice-vote the bill if you
23 are serious about getting together on it.

24 Senator Riegle. We voted on everything else.
25 It seems to me we ought to vote on the issue. I

1 would like to know how much strength there is for
2 it.

3 Senator Dole. I think for the concept it is
4 unanimous. But for this bill, I think there is some
5 dissent.

6 The Chairman. Let me state, Senator, we had the
7 vote on that luxury tax on boats. It seems to me we
8 ought to vote on the bill itself.

9 Senator Dole. Not just boats; it was cars.

10 The Chairman. I understand. I would like to
11 call for a roll call vote on it. All right. Will
12 the Clerk call the roll.

13 The Clerk. Mr. Moynihan.

14 Senator Moynihan. Aye.

15 The Clerk. Mr. Baucus.

16 The Chairman. Aye by proxy.

17 The Clerk. Mr. Boren.

18 The Chairman. Aye by proxy.

19 The Clerk. Mr. Bradley.

20 Senator Bradley. Aye.

21 The Clerk. Mr. Mitchell.

22 The Chairman. Aye by proxy.

23 The Clerk. Mr. Pryor.

24 The Chairman. Aye by proxy.

25 The Clerk. Mr. Riegle.

1 Senator Riegle. Aye.
2 The Clerk. Mr. Rockefeller.
3 Senator Rockefeller. Aye.
4 The Clerk. Mr. Daschle.
5 Senator Daschle. Aye.
6 The Clerk. Mr. Breaux.
7 The Chairman. Aye by proxy.
8 The Clerk. Mr. Packwood.
9 The Chairman. Aye by proxy.
10 The Clerk. Mr. Dole.
11 Senator Dole. No.
12 The Clerk. Mr. Roth.
13 Senator Roth. No.
14 The Clerk. Mr. Danforth.
15 Senator Danforth. Aye.
16 The Clerk. Mr. Chafee.
17 Senator Chafee. Aye.
18 The Clerk. Mr. Durenberger.
19 The Chairman. Aye by proxy.
20 The Clerk. Mr. Symms.
21 Senator Symms. No.
22 The Clerk. Mr. Grassley.
23 Senator Grassley. No response.
24 The Clerk. Mr. Hatch.
25 Senator Hatch. No.

1 The Clerk. There are 15 Senators in favor, four
2 opposed.

3 The Clerk. Well, Senator Grassley, I do not
4 have his proxy. He may want to record either way.

5 The Chairman. Well, we will leave it open until
6 12:00 o'clock for him. The bill is passed. The
7 Committee will stand adjourned. Oh. I beg your
8 pardon.

9 Senator Dole. What about a committee report,
10 Mr. Chairman?

11 The Chairman. We will have a committee report,
12 and rights of the Minority to file their report, of
13 course.

14 Those of you who are leaving, if you will do so
15 as quietly as you can, please, and resist
16 conversation on that.

17 The next thing we have on the agenda is to
18 consider the U.S.-Mongolian People's Trade Agreement
19 and S.J. Res. 168, approving the extension of non-
20 discriminatory treatment to imports from Mongolia.
21 And this is by request of the administration.

22 I think it might be of some interest to comment
23 on the fact that this is scored by CBO as losing
24 money, and the administration has not provided an
25 offset for it. At some point, obviously, that will

1 have to be done.

2 Senator Bradley. Mr. Chairman, how does it lose
3 money? Could someone explain?

4 Mr. Kyle. Senator, it loses money essentially
5 by the reduction in the tariffs that would occur
6 reduces the tariff revenue that the U.S. would
7 receive from the products entering from that
8 country.

9 The Chairman. Who is presenting the
10 legislation? Mr. Kyle, are you doing that?

11 Mr. Kyle. Yes, Senator. I can give a brief
12 description of the agreements.

13 The Chairman. All right.

14 Mr. Kyle. Essentially, under the Jackson-
15 Vannick law, the law requires that the President may
16 waive the application of the Jackson-Vannick
17 requirements for individual countries if they meet
18 certain conditions relating to immigration.

19 In January of this year, the President did waive
20 that requirement. They have since submitted the
21 agreements under the Jackson-Vannick law without
22 going through this section by section.

23 The Chairman. Let me state this, too. I would
24 like to amend this so that we could consider this
25 and the administration's request also on Bulgaria.

1 These trade agreements have been negotiated with
2 both countries. I think the administration is
3 right, that these trade agreements deserve our
4 support. And not only will they benefit from MFN
5 status, but U.S. companies will also benefit from
6 lower tariffs in these two markets.

7 The agreements also contained a number of
8 provisions to make it easier for American firms to
9 set up offices in Bulgaria and Mongolia. Entire
10 staffs, and agents, and distributors put on trade
11 promotion events to advertise their products and to
12 conduct certain basic market research. Both
13 agreements contain first-class commitments to
14 protect the intellectual property rights of
15 America.

16 In the past year and a half, these two countries
17 have embarked on far-reaching political and economic
18 changes. There has been a genuine move toward
19 greater freedom of the press and religion, and both
20 have adopted policies guaranteeing free immigration.

21 Mongolia and Bulgaria are forging ahead with
22 market-based economic reforms, despite the fact they
23 have been going through some very hard times. Make
24 no mistake about it, we are not going to see any
25 great surge in trade with either country. But the

1 fundamentals will be in place, and our companies
2 will be ready and able to do business once the
3 economic situation stabilizes. So, I think these
4 countries deserve our support, just as the
5 agreements deserve our support.

6 Are there further comments?

7 Senator Baucus. Mr. Chairman, I think the
8 Mongolian agreement is an exceptionally important
9 one. It is the last society apart from Bhutan where
10 there is a Buddhist civilization not altogether
11 destroyed by the previous Communist regime. Tibet
12 is under the control of Peking right now, and the
13 Dalai Lama is in exile.

14 But the Mongolian government is clearly
15 attempting to make what amends as possible from the
16 mass destruction of the Buddhist society. And the
17 \$1.8 million worth of animal hair we import each
18 year will not make that much difference, but it
19 might make some. And it certainly does what you
20 said it does.

21 The Chairman. Are there further comments? If
22 not, may I have a motion?

23 Senator Baucus. I move to approve the measures
24 en bloc. There are now two, is that the case?

25 The Chairman. Is there objection? All in

1 favor, let it be known by saying aye.

2 (A chorus of ayes.)

3 The Chairman. Opposed?

4 (No response.)

5 The Chairman. No nays. Both are carried.

6 Next, the Finance Committee has been asked to
7 approve the initiation by the U.S. International
8 Trade Commission of two investigations under section
9 332 of the Tariff Act of 1930.

10 That first investigation was requested by
11 Senator Wallop, and would assess the impact on the
12 U.S. uranium industry of imports from the Soviet
13 Union, from China, and other non-market economies.
14 The investigation would be completed no later than
15 one year after the commission receives the request.

16 The second request, requested by Senator Breaux,
17 would analyze several issues that affect the U.S.
18 canned tuna industry. To take account of recent
19 developments, this investigation would update the
20 findings in a commission study completed last year
21 at our request. To be completed no later than July
22 31st of 1992.

23 Does the committee approve the sending of the
24 letters to the International Trade Commission
25 requesting these two investigations?

1 Senator Hatch. Mr. Chairman.

2 The Chairman. Yes.

3 Senator Hatch. I certainly appreciate you
4 bringing this up. I think it needs to be done. I
5 certainly want to approve that. The uranium
6 industry in Utah has dropped from 21,000 jobs to, in
7 1988, less than 9,000, and going down all the time
8 because of some of the unfair things that go on.
9 But thank you for bringing it up.

10 The Chairman. Senator, could I have a motion
11 approving the sending of the letters?

12 Senator Hatch. I move to do so.

13 Senator Baucus. I second the motion.

14 The Chairman. All in favor say aye.

15 (A chorus of ayes.)

16 The Chairman. Opposed.

17 (No response.)

18 The Chairman. No. The motion carried.

19 Next, insofar as on the committee's agenda is to
20 consider several changes in subcommittee
21 assignments, and the proposed changes are for as
22 follows: Senator Hatch will join the Subcommittee
23 on International Trade; the Subcommittee on
24 Deficits, Debt Management, and International Debt;
25 and the Subcommittee on Health for Families and the

1 Uninsured. Senator Grassley will leave the
2 Subcommittee on Deficits, Debt Management and
3 International Debt, and Senator Grassley will join
4 the Subcommittee on Medicare and Long-Term Care. Do
5 I have a motion to approve the subcommittee
6 assignments?

7 Senator Baucus. Mr. Chairman, I move that these
8 assignments be made.

9 The Chairman. Is there a second?

10 Senator Hatch. I will second.

11 The Chairman. All in favor of the motion
12 stated, make it known by saying aye.

13 (A chorus of ayes.)

14 The Chairman. Opposed?

15 (No response.)

16 The Chairman. Motion carried.

17 I have a correction. In the vote on the motion
18 to table Senator Dole's amendment repealing the
19 luxury tax, there were 10 Senators in favor and nine
20 opposed, with Senators Mitchell, Breaux and Grassley
21 voting no.

22 Furthermore, I correct the record to reflect
23 that Senator Grassley voted in favor of reporting
24 out the bill, and thus, the final vote is 16 ayes
25 and four nays.

1 (Whereupon, the meeting was adjourned at 11:40
2 a.m.)

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C E R T I F I C A T E

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This is to certify that the foregoing proceedings of an Executive Committee Meeting, Committee on Finance, United States Senate, held on July 25, 1991, were transcribed as herein appears and that this is the original transcript thereof.

WILLIAM J. MOFFITT
Official Court Reporter

My Commission Expires April 24, 1994.

UNITED STATES SENATE
COMMITTEE ON FINANCE

Hearing and Executive Session

Thursday, July 25, 1991 - 10:00 AM
SD-215 Dirksen Senate Office Building

A G E N D A

1. To consider an emergency unemployment compensation measure
2. To consider the U.S.-Mongolian People's Republic Trade Agreement and S.J. Res. 168, approving the extension of non-discriminatory treatment to imports from Mongolia
3. To consider the U.S.-Republic of Bulgaria Trade Agreement and S.J. Res. 169, approving the extension of non-discriminatory treatment to imports from Bulgaria
4. To consider a section 332 investigation by the International Trade Commission on the impact on the U.S. uranium industry of imports from the Soviet Union, China and other non-market economies
5. To consider a section 332 investigation by the International Trade Commission on issues affecting the U.S. canned tuna industry
6. To consider subcommittee assignments for Senators Orrin G. Hatch and Charles E. Grassley
7. To hear and consider the nomination of Olin L. Wethington to be a Deputy Under Secretary of the Treasury

DAVID PRYOR, ARKANSAS
DONALD W. RIEGLE, JR., MICHIGAN
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
TOM DASCHLE, SOUTH DAKOTA
JOHN BREAUX, LOUISIANA

JOHN F. CLARKE, RHODE ISLAND
DAVE DURENBERGER, MINNESOTA
STEVE SYMMS, IDAHO
CHARLES E. GRASSLEY, IOWA
ORRIN G. HATCH, UTAH

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 205 10-6200

VANDA B. McMURTRY, STAFF DIRECTOR AND CHIEF COUNSEL
EDMUND J. MIHALSKI, MINORITY CHIEF OF STAFF

MEMORANDUM

TO: Finance Committee Members

FROM: Finance Committee Trade Staff **VBN**✓

DATE: July 23, 1991

RE: Committee Requests for Section 332 Studies on Uranium and Canned Tuna

At the Executive Session this Thursday, July 25, the Committee plans to request the International Trade Commission (ITC) to conduct two separate investigations under section 332 of the Tariff Act of 1930. The first investigation would assess the impact on the U.S. uranium industry of imports from the Soviet Union, China, and any other non-market economies that the ITC determines are exporting uranium to the United States. The second investigation would examine a range of issues affecting the U.S. canned tuna industry, including "dolphin-safe" standards, international fishery access, and recent technological developments. This will update an ITC report on tuna completed last year at the Finance Committee's request to take account of significant developments in the past year.

Copies of the letters requesting the studies are attached. Please contact the Trade Staff if you have any questions concerning these two investigations.

Attachments

LLOYD BENTSEN, TEXAS, CHAIRMAN

DANIEL PATRICK MOYNIHAN, NEW YORK
MAX BAUCUS, MONTANA
DAVID L. BOREN, OKLAHOMA
BILL BRADLEY, NEW JERSEY
GEORGE J. MITCHELL, MAINE
DAVID PRYOR, ARKANSAS
DONALD W. RIEGLE, JR., MICHIGAN
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
TOM DASCHLE, SOUTH DAKOTA
JOHN BREAUX, LOUISIANA

BOB PACKWOOD, OREGON
BOB DOLE, KANSAS
WILLIAM V. ROTH, JR., DELAWARE
JOHN C. DANFORTH, MISSOURI
JOHN H. CHAFFEE, RHODE ISLAND
DAVE DURENBERGER, MINNESOTA
STEVE SYMMS, IDAHO
CHARLES E. GRASSLEY, IOWA
ORRIN G. HATCH, UTAH

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

VANDA B. McMURTRY, STAFF DIRECTOR AND CHIEF COUNSEL
EDMUND J. MIHALSKI, MINORITY CHIEF OF STAFF

July , 1991

The Honorable
Anne E. Brunsdale
Acting Chairman
United States International
Trade Commission
500 "E" Street, S.W.
Washington, D.C. 20436

Dear Madam Chairman:

The Committee on Finance requests that the U.S. International Trade Commission conduct an investigation under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), for the purpose of providing a report assessing the impact on the domestic industry of imports into the United States of enriched and non-enriched uranium and uranium enrichment services from the Union of Soviet Socialist Republics (USSR), the People's Republic of China (PRC), and other non-market economy countries, as appropriate. No classified or business confidential information should be included in, or released in connection with, the report.

In its report, the Commission should, to the extent feasible in light of the difficulties in obtaining information, provide information regarding the uranium enrichment industry in the United States, the USSR, the PRC, and other non-market economy countries, as appropriate, including but not limited to the following:

- (1) The uranium enrichment industry in the United States (the Department of Energy (DOE)).--The history, technological trends, number of operations, production and sales of enriched uranium and uranium enrichment services, employment and wages, capacity, major markets, inventories, costs, productivity, financial experience, DOE prices, market prices for enriched and non-enriched uranium and uranium enrichment services, changes in industry structure such as ownership changes, influence of middlemen and brokerage firms, projections of the amount of enriched uranium that U.S. utilities will be able to purchase from sources other than the DOE, and steps the U.S. enrichment industry is taking to adjust to foreign competition.

The Honorable
Anne E. Brunsdale
July , 1991
Page Two

- (2) The uranium enrichment industries in the USSR, the PRC, and other non-market economy countries, as appropriate.--The history, technological trends, number of operations, production and sales of enriched uranium and uranium enrichment services, export capacity, major markets, industry structure, marketing strategy, prices, and projected short- and long-term trends for these industries.

- (3) The impact of sales of enriched and non-enriched uranium and uranium enrichment services to the United States from the USSR, the PRC, and other non-market economy countries, as appropriate, on the domestic industry.--A listing of imports of uranium from the USSR, the PRC, and other non-market economy countries, as appropriate, a listing of long- and short-term contracts for enriched and non-enriched uranium secured in the United States by the USSR, the PRC, and other non-market economy countries, as appropriate, market strategies used by these countries to export enriched and non-enriched uranium or uranium enrichment services to the United States, strategies adopted by the DOE to adjust to and limit the impact of these imports, projected penetrations of the U.S. market by the USSR, the PRC, and other non-market economy countries, as appropriate, a comparison of prices charged by these countries with prices charged by the DOE, the quality of uranium enrichment services offered by the DOE compared with uranium enrichment services offered by the USSR, the PRC, and other non-market economy countries, as appropriate, and an overview of the impact of imports of enriched and non-enriched uranium from the USSR, the PRC, and other non-market economy countries, as appropriate, on the domestic enrichment industry (the DOE) and on other uranium producers, including the U.S. uranium mining and milling industry.

LLOYD BENTSEN, TEXAS, CHAIRMAN

DANIEL PATRICK MOYNIHAN, NEW YORK
MAX BAUCUS, MONTANA
DAVID L. BOREN, OKLAHOMA
BILL BRADLEY, NEW JERSEY
GEORGE J. MITCHELL, MAINE
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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

VANDA B. McMURTRY, STAFF DIRECTOR AND CHIEF COUNSEL
EDMUND J. MIHALSKI, MINORITY CHIEF OF STAFF

July , 1991

The Honorable
Anne E. Brunsdale
Acting Chairman
United States International
Trade Commission
500 "E" Street, S.W.
Washington, D.C. 20436

Dear Madam Chairman:

The Committee on Finance has reviewed the Commission's recent report on Investigation Number 332-291, entitled "Tuna: Competitive Conditions Affecting the U.S. and European Tuna Industries in Domestic and Foreign Markets," which was instituted pursuant to requests from the Senate Committee on Finance and the House Committee on Ways and Means.

After considering the contents of the report, it has come to the Committee's attention that certain events in 1990 appear to have had a dramatic impact on the U.S. canned tuna industry and continue to affect the industry in 1991. Additional economic data and related information are needed for Congress to carefully examine these events.

Accordingly, the Committee on Finance requests that the Commission conduct an investigation under section 332(g) of the Tariff Act of 1930, as amended (19 U.S.C. 1332(g)), for the purposes of examining current issues affecting the U.S. canned tuna industry and market and providing an updated profile of the U.S. canned tuna industry.

In its investigation, the Commission should provide the following, to the extent possible:

- (1) A discussion of the "dolphin-safe" issue, including its background, relevant company policies and Government legislation, and an analysis of the effects of the dolphin-safe issue on U.S. tuna production, trade, and consumption;

The Honorable
Anne E. Brunsdale
July , 1991
Page Two

- (2) A discussion of international fishery access issues relating to tuna, including a discussion of the treatment of tuna in the U.S. and foreign fishery conservation zones, fishery access treaties and negotiations, and other relevant information;
- (3) A discussion of recent technological developments, such as the domestic processing of imported tuna loins, with a description of the effect of such developments on U.S. tuna production and trade; and
- (4) A profile of the U.S. tuna industry and market, including information on levels and trends in U.S. production, consumption, trade, and prices for both domestic and raw tuna, the number of operations, employment and wages, capacity utilization, financial experience, sources of raw tuna used by the processing sector, sources of imported canned and raw tuna, productivity, and changes in industry structure, such as ownership changes.

In view of the importance that industry input would have on this investigation, the Committee believes that it would be helpful for the Commission to hold a public hearing which will permit interested members of the industry an opportunity to present their views.

The Commission should report the results of the investigation no later than July 31, 1992.

Thank you for your cooperation in and attention to this matter.

Sincerely,

Bob Packwood
Ranking Member

Lloyd Bentsen
Chairman

The Honorable
Anne E. Brunsdale
July , 1991
Page Three

The Commission is requested to furnish its report no later than one year after the Commission's receipt of this letter. In preparing its report, the Commission should seek views and input from the private sector. The Commission should utilize existing information available from U.S. Government agencies to the extent practicable.

Thank you for your cooperation in this important matter.

Sincerely,

Bob Packwood
Ranking Member

Lloyd Bentsen
Chairman

SUBCOMMITTEE ASSIGNMENTS

1. Senator Hatch to join the following Subcommittees:

**International Trade
Deficits, Debt Management
and International Debt
Health for Families and the
Uninsured**

2. Senator Grassley to leave the following Subcommittee:

**Deficits, Debt Management
and International Debt**

3. Senator Grassley to join the following Subcommittee:

Medicare and Long-Term Care

SIMPLIFIED STRUCTURED AND RATE AMENDMENT

AMENDMENT: To substitute a two tier program based on an exhaustee insured unemployment rate (EIUR) in place of the proposed four tier program based on the total unemployment rate (TUR).

page 7, Section 3(c) Determination of Periods -- delete section 3(c).

page 7, Section 3(c) Determination of Periods -- add:

insert references to a 5 percent exhaustee insured unemployment rate (EIUR) and a two tier program -- where, less than 5 percent EIUR will trigger a six week extension of benefits; above 5 percent EIUR will trigger a 13 week extension of benefits.

page 16, Section 7(3) Rate of Total Unemployment -- delete section 7(3).

page 16, Section 7(3) Rate of Total Unemployment, add:

insert references as to the determination of an exhaustee insured unemployment rate by the Secretary of Labor. The regular insured unemployment rate (IUR) is determined by the number of weeks of unemployment paid divided by the covered employment in the U.S. The exhaustee insured unemployment rate will include not only the weeks of unemployment insurance claimed for the most recent month, but also exhaustions from the regular program for the most recent three months.

CONFORMING AMENDMENTS

Conforming amendments would be required at:

page 5, Section 3(b)(2)(A) -- Applicable Limit.

page 15, Section 7(2) -- Eligibility Period.

EX-SERVICE MEMBERS EXTENDED BENEFITS AMENDMENT

AMENDMENT: To limit the additional benefits of unemployment compensation to former members of the armed forces to those who are involuntarily separated from the armed services or who extended beyond their regular release date. In addition, to limit the reduction in length of required active duty by reserves to only those serving in the Persian Gulf Conflict.

page 16, Section 8(a) Repeal of Certain Limitations, delete Section 8(a).

page 16, Section 8(a) Repeal of Certain Limitations, modify section 8(a) to amend United States Code to provide for added benefits only to those who are involuntarily separated from the armed services or who extended beyond their regular release date.

page 16, Section 8(b) Reduction in Length of Required Active Duty by Reserves, modify section 8(b) to amend U.S. Code to provide the 90 day service requirement only for those serving in the Persian Gulf conflict.

Projected Trigger Status as of March 1992 (high point)
(projections based on quarterly data through March 1991)

Duration under the Bentsen Proposal

20 weeks

Alaska
Alabama
Arkansas
Illinois
Louisiana
Michigan
Mississippi
Ohio
Puerto Rico
West Virginia

13 weeks

Florida
Indiana
Kentucky
Missouri
Montana
New Mexico
Oklahoma
Oregon
Rhode Island
Texas
Washington
Wyoming

7 weeks

California
Colorado
D.C.
Georgia
Idaho
Maine
Massachusetts
Nevada
New York
Pennsylvania
South Carolina
Tennessee

4 weeks

Arizona
Connecticut
Delaware
Hawaii
Iowa
Kansas
Maryland
Minnesota
Nebraska
New Hampshire
New Jersey
North Carolina
North Dakota
South Dakota
Utah
Vermont
Virginia
Wisconsin

Duration under Exhaustee IUR Trigger with 5.0% Threshold

13 weeks

Alaska
Arkansas
California
Connecticut
Idaho
Massachusetts
Maine
Michigan
Montana
Nevada
New Jersey
New York
Oregon
Pennsylvania
Puerto Rico
Rhode Island
Tennessee
Vermont
Washington
West Virginia
Wisconsin

6 weeks

All other States

7/24/91

MARKUP DOCUMENT
EMERGENCY UNEMPLOYMENT COMPENSATION PROPOSAL

Present Law

Under present law, unemployed workers are paid up to 26 weeks of regular unemployment benefits financed by State unemployment taxes on employers. In States with high unemployment, the extended benefit (EB) program pays up to 13 weeks of additional benefits to workers who have exhausted their regular benefits. The EB program is a joint Federal-State program, half of which is financed by Federal unemployment taxes on employers and half by State taxes.

Extended benefits are only paid when a State's insured unemployment rate (the ratio of unemployed workers claiming unemployment benefits to all workers in covered employment) is at least 5% and exceeds by 20% the average rate of unemployment in the State during the last two years. States with a 6% insured unemployment rate can choose to pay EB without meeting the 20% test.

The Federal share of EB is paid from the Extended Unemployment Compensation Account, or EUCA. This trust fund is projected to contain over \$8 billion by the end of FY 1991.

Proposed Change

I. Federal Emergency Unemployment Compensation

All States would be eligible to provide Emergency Unemployment Compensation (EUC) benefits to unemployed workers who have exhausted their unemployment benefits under existing programs.

A. Duration of Benefits. There would be four levels of weeks of eligibility for EUC benefits. The number of weeks of benefits payable to an unemployed worker in a particular State would be determined by the total unemployment rate (TUR) in that State during the preceding six months:

- o States with a TUR of 8% or higher would be eligible to provide 20 weeks of EUC benefits;
- o States with a TUR of 7% would be eligible to provide 13 weeks of benefits;
- o States with a TUR of 6% would be eligible to provide 7 weeks of benefits;
- o All States with TURs below 6% would be eligible to provide 4 weeks of benefits..

Once a State had "triggered on" for a 7, 13, or 20 week period of EUC benefits, the State would remain triggered on for at least 13 weeks, even if its TUR dropped during that period. Alternatively, if a State's unemployment rate increases during that period, so that the State qualifies for a higher number of weeks, workers in that State would qualify for the additional benefits.

Also, once an unemployed worker became eligible for 7, 13, or 20 weeks of EUC benefits, the worker would be paid for all weeks to which he was entitled, even if the State "triggered off" or the program expires before the worker had received the full number of weeks of benefits.

At any time that a State was not eligible for one of the three higher levels of benefits, unemployed workers in the State who exhausted their regular unemployment benefits would be eligible for 4 weeks of EUC benefits.

B. Eligibility for Benefits. EUC benefits would be paid to any unemployed worker who exhausted his regular unemployment benefits during the October, 1991 - June, 1992 period in which the EUC program was in effect. (Some unemployed workers who had received Extended Benefits (EB) would also be entitled to EUC benefits. The number of weeks of EB they had received would be deducted from the number of weeks of EUC benefits available in the State, and they would be paid the difference, if any.)

C. "Reach Back". Unemployed workers who had exhausted their benefits under the regular unemployment program between April 1 and October 1 would be eligible to receive EUC benefits in States that had a TUR of at least 6% and had triggered on to 7, 13, or 20 weeks of Federal benefits. (This "reach back" provision would also apply to unemployed workers in States with an unemployment rate of 6% or more who had exhausted their extended benefits while their State was triggered on to the EB program, to the extent that the number of weeks of EUC benefits available in the State exceeded the number of weeks of extended benefits they had received.)

II. Former Members of the Armed Services

In addition, the proposal would make a permanent change to provide unemployment benefits for ex-armed service members on the same basis as benefits are provided to unemployed civilians. Unemployed veterans of Operation Desert Storm and other ex-service members would have a waiting period of no more than one week and would be eligible for a full 26 weeks of regular benefits (versus a 4 week wait and only 13 weeks of regular benefits under current law). In addition, reserve members who have been called to active duty could receive benefits after serving a continuous period of 90 days, instead of having to meet

the current 180 day requirement.

III. Advisory Council

The proposal would also provide for the establishment of an Unemployment Compensation Advisory Council. The Council would be similar in function to the Social Security Advisory Council. It would be appointed every four years to examine the purpose, goals and functioning of the unemployment compensation system, and to make recommendations for improvement. Five of the members would be appointed by the President, 3 by the Speaker of the House in consultation with the Chairman of the Committee on Ways and Means, and 3 by the President pro tempore of the Senate in consultation with the Chairman of the Committee on Finance.

IV. Funding Source

All EUC benefit costs would be paid for from the EUCA trust fund. The fund is estimated to have a balance of about \$8 billion by the end of FY 1991. After financing the full costs of EUC benefits, the Labor Department actuaries estimate that the EUCA account would have a balance of over \$3.5 billion at the end of FY 1992, and would grow to \$9 billion by the end of FY 1994.

V. Emergency Designation

Spending under this legislative proposal would be designated as an emergency requirement, as provided in sections 251(b)(2)(D)(i) and 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985.

CBO Cost Estimates

The Congressional Budget Office estimates that the proposal would cost a total of \$5.8 billion over 5 years, with \$5.4 billion of that cost occurring in FY 1992. EUC benefits would have a cost \$5.2 billion, all in FY 1992. The additional costs for former members of the armed services would be \$.6 billion over 5 years.

7/24/91

MARKUP DOCUMENT
EMERGENCY UNEMPLOYMENT COMPENSATION PROPOSAL

Present Law

Under present law, unemployed workers are paid up to 26 weeks of regular unemployment benefits financed by State unemployment taxes on employers. In States with high unemployment, the extended benefit (EB) program pays up to 13 weeks of additional benefits to workers who have exhausted their regular benefits. The EB program is a joint Federal-State program, half of which is financed by Federal unemployment taxes on employers and half by State taxes.

Extended benefits are only paid when a State's insured unemployment rate (the ratio of unemployed workers claiming unemployment benefits to all workers in covered employment) is at least 5% and exceeds by 20% the average rate of unemployment in the State during the last two years. States with a 6% insured unemployment rate can choose to pay EB without meeting the 20% test.

The Federal share of EB is paid from the Extended Unemployment Compensation Account, or EUCA. This trust fund is projected to contain over \$8 billion by the end of FY 1991.

Proposed Change

I. Federal Emergency Unemployment Compensation

All States would be eligible to provide Emergency Unemployment Compensation (EUC) benefits to unemployed workers who have exhausted their unemployment benefits under existing programs.

A. Duration of Benefits. There would be four levels of weeks of eligibility for EUC benefits. The number of weeks of benefits payable to an unemployed worker in a particular State would be determined by the total unemployment rate (TUR) in that State during the preceding six months:

- o States with a TUR of 8% or higher would be eligible to provide 20 weeks of EUC benefits;
- o States with a TUR of 7% would be eligible to provide 13 weeks of benefits;
- o States with a TUR of 6% would be eligible to provide 7 weeks of benefits;
- o All States with TURs below 6% would be eligible to provide 4 weeks of benefits.

Once a State had "triggered on" for a 7, 13, or 20 week period of EUC benefits, the State would remain triggered on for at least 13 weeks, even if its TUR dropped during that period. Alternatively, if a State's unemployment rate increases during that period, so that the State qualifies for a higher number of weeks, workers in that State would qualify for the additional benefits.

Also, once an unemployed worker became eligible for 7, 13, or 20 weeks of EUC benefits, the worker would be paid for all weeks to which he was entitled, even if the State "triggered off" or the program expires before the worker had received the full number of weeks of benefits.

At any time that a State was not eligible for one of the three higher levels of benefits, unemployed workers in the State who exhausted their regular unemployment benefits would be eligible for 4 weeks of EUC benefits.

B. Eligibility for Benefits. EUC benefits would be paid to any unemployed worker who exhausted his regular unemployment benefits during the October, 1991 - June, 1992 period in which the EUC program was in effect. (Some unemployed workers who had received Extended Benefits (EB) would also be entitled to EUC benefits. The number of weeks of EB they had received would be deducted from the number of weeks of EUC benefits available in the State, and they would be paid the difference, if any.)

C. "Reach Back". Unemployed workers who had exhausted their benefits under the regular unemployment program between April 1 and October 1 would be eligible to receive EUC benefits in States that had a TUR of at least 6% and had triggered on to 7, 13, or 20 weeks of Federal benefits. (This "reach back" provision would also apply to unemployed workers in States with an unemployment rate of 6% or more who had exhausted their extended benefits while their State was triggered on to the EB program, to the extent that the number of weeks of EUC benefits available in the State exceeded the number of weeks of extended benefits they had received.)

II. Former Members of the Armed Services

In addition, the proposal would make a permanent change to provide unemployment benefits for ex-armed service members on the same basis as benefits are provided to unemployed civilians. Unemployed veterans of Operation Desert Storm and other ex-service members would have a waiting period of no more than one week and would be eligible for a full 26 weeks of regular benefits (versus a 4 week wait and only 13 weeks of regular benefits under current law). In addition, reserve members who have been called to active duty could receive benefits after serving a continuous period of 90 days, instead of having to meet

the current 180 day requirement.

III. Advisory Council

The proposal would also provide for the establishment of an Unemployment Compensation Advisory Council. The Council would be similar in function to the Social Security Advisory Council. It would be appointed every four years to examine the purpose, goals and functioning of the unemployment compensation system, and to make recommendations for improvement. Five of the members would be appointed by the President, 3 by the Speaker of the House in consultation with the Chairman of the Committee on Ways and Means, and 3 by the President pro tempore of the Senate in consultation with the Chairman of the Committee on Finance.

IV. Funding Source

All EUC benefit costs would be paid for from the EUCA trust fund. The fund is estimated to have a balance of about \$8 billion by the end of FY 1991. After financing the full costs of EUC benefits, the Labor Department actuaries estimate that the EUCA account would have a balance of over \$3.5 billion at the end of FY 1992, and would grow to \$9 billion by the end of FY 1994.

V. Emergency Designation

Spending under this legislative proposal would be designated as an emergency requirement, as provided in sections 251(b)(2)(D)(i) and 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985.

CBO Cost Estimates

The Congressional Budget Office estimates that the proposal would cost a total of \$5.8 billion over 5 years, with \$5.4 billion of that cost occurring in FY 1992. EUC benefits would have a cost \$5.2 billion, all in FY 1992. The additional costs for former members of the armed services would be \$.6 billion over 5 years.

**COMMITTEE ON FINANCE
UNITED STATES SENATE
SD-205 Dirksen Building
Washington, D.C. 20510**

**PRESS RELEASE #M-17
FOR IMMEDIATE RELEASE
July 25, 1991**

**FINANCE COMMITTEE APPROVES ADDITIONAL JOBLESS BENEFITS
MONGOLIA, BULGARIA TRADE AGREEMENTS ALSO OK'D**

Washington, D.C. -- Senator Lloyd Bentsen, Chairman of the Senate Finance Committee, announced that the Committee approved legislation Thursday to extend unemployment benefits for Americans who have exhausted their regular benefits.

Bentsen (D., Texas) said the Committee also approved trade agreements with Mongolia and Bulgaria, a Department of Treasury nomination, requests for International Trade Commission studies and new subcommittee assignments.

The Committee voted 16 to 4 to approve the unemployment compensation proposal. The bill would enable all states to participate in an Emergency Unemployment Compensation program, fully financed from the federal extended benefits trust fund, that would provide benefits to workers whose unemployment benefits have run out.

The bill sets four levels of additional unemployment benefits that would be based on the total unemployment rate in a state during the preceding six months. States with unemployment rates of 8 percent or higher would qualify for 20 additional weeks of benefits. States with a 7 percent rate would qualify for 13 additional weeks. States with a 6 percent rate would qualify for seven additional weeks. And states with lower rates would qualify for four additional weeks.

Also, unemployed veterans of Operation Desert Storm and other ex-service members would receive benefits on the same basis as unemployed civilians. Under current law, civilians, after a one-week wait, are eligible for up to 26 weeks of regular benefits but unemployed veterans must wait four weeks and then are eligible for up to 13 weeks of benefits.

The legislation also establishes an unemployment compensation advisory council that would be appointed every four years to examine the goals and functioning of the unemployment compensation system. Appointments would be made by the President, Speaker of the House and President Pro Tempore of the Senate.

Also Thursday, the Committee approved:

- * Trade agreements extending most-favored-nation status to Mongolia (S.J.Res. 168) and Bulgaria (S.J.Res. 169).

- * The nomination of Olin L. Wethington, Special Assistant to the President and Executive Secretary to the Economic Policy Council, to be Deputy Under Secretary of the Treasury for international affairs.

- * Requests that the International Trade Commission conduct Section 332 studies on canned tuna, requested by Senator John Breaux (D., Louisiana), and uranium, requested by Senator Malcolm Wallop (R., Wyoming).

- * Changes in subcommittee assignments for two Senators. Senator Charles Grassley (R., Iowa) will join the Medicare and Long-term Care Subcommittee and leave the Deficits, Debt Management and International Debt Subcommittee. Senator Orrin Hatch (R., Utah), who joined the Committee last month, will be a member of these subcommittees: International Trade; Deficits, Debt Management and International Debt; and Health for Families and the Uninsured.

**BACKGROUND INFORMATION ON TRADE AGREEMENTS WITH
THE MONGOLIAN PEOPLE'S REPUBLIC AND THE REPUBLIC OF BULGARIA
AND S.J. RES. 168 AND S.J. RES. 169, RESOLUTIONS APPROVING
THE EXTENSION OF MOST-FAVORED-NATION (MFN) TREATMENT
TO MONGOLIA AND BULGARIA**

(Prepared by the Staff of the Senate Committee on Finance) VBM✓

Thursday, July 25, 1991

Background

This document provides background information relevant to the Committee's consideration of trade agreements with the Mongolian People's Republic ("Mongolia") and the Republic of Bulgaria ("Bulgaria") and S.J. Res. 168 and S.J. Res. 169, which would approve the extension of MFN treatment to Mongolia and Bulgaria, respectively, as provided in the two agreements. The trade agreements with Mongolia and Bulgaria were signed on January 23, 1991 and April 22, 1991, respectively. The President submitted both agreements to the Congress on June 25, 1991.

This document discusses the requirements of Title IV of the Trade Act of 1974 regarding bilateral commercial agreements with and the extension of MFN treatment to non-market economy countries, the procedures for Congressional consideration of the agreements, and current data on U.S.-Mongolian and U.S.-Bulgarian trade. Summaries of the trade agreements, S.J. Res. 168, and S.J. Res. 169 are attached. The full text of the Mongolian and Bulgarian agreements and accompanying side letters are available in the Committee on Finance. They have also been printed as House Documents 102-104 and 102-105.

U.S. tariff treatment of non-market economy countries.--The United States maintains two basic rates of customs duties for most imported products. The "column 1" rates of duty are relatively low, the result of various rounds of multilateral, reciprocal tariff negotiations. The "column 2" rates of duty are much higher; these were set by the Smoot-Hawley Tariff Act of 1930. The lower "column 1" rates of duty apply to countries to which the United States grants MFN treatment. Column 2 rates of duty apply to countries not accorded MFN status.

In 1951, the United States suspended MFN status for countries under the control of international Communism, including Mongolia and Bulgaria. Pursuant to Title IV of the Trade Act of 1974, as amended, MFN treatment may be restored and commercial agreements concluded only if the requirements of the freedom-of-emigration provisions, commonly known as the Jackson-Vanik requirements, are met or waived. In addition, section 405 of the 1974 Trade Act sets forth a number of elements that must be incorporated into commercial agreements with these countries.

Compliance with Jackson-Vanik requirements.--Under the Jackson-Vanik provision (section 402 of the Trade Act of 1974, as amended), MFN treatment may be granted to non-market economy countries if the President finds that the country is affording its citizens the right of free and unrestricted emigration. The President is authorized to waive this requirement if he determines that doing so will substantially promote the objectives of the law and if he has received assurances that the emigration practices of the country will lead substantially to the achievement of the objectives.

On January 22, 1991, President Bush first waived the application of the Jackson-Vanik requirements with respect to Bulgaria, and on January 23, 1991, he waived the application of the Jackson-Vanik requirements with respect to Mongolia, stating that he had received the required assurances. These waivers made the two countries eligible for U.S. Government credits, credit guarantees, and investment guarantees.

On June 3, 1991, the President determined that a one-year extension of his waiver authority with respect to both countries would promote the objectives of freedom of emigration. In his report to the Congress, the President stated that Bulgaria had passed in 1989 new passport, travel and citizenship laws that lifted previous travel restrictions and noted that, in 1990, passports were issued to thousands of Bulgarian citizens, many of whom left the country to seek work or asylum in the West. The President also stated that, in August 1990, Bulgaria's Grand National Assembly invited all emigres to return to Bulgaria without fear of persecution or punishment for certain previously illegal acts, including political offenses. A number of leading dissidents have since returned to the country.

With respect to Mongolia, the President reported that, as of January 15, 1991, Mongolian citizens no longer needed to obtain permission from the Government to travel abroad, and all limitations on passport eligibility were lifted. The number of Mongolians traveling abroad nearly doubled from 1989 to 1990.

Requirements for bilateral commercial agreements.--Title IV of the Trade Act of 1974 also requires that a bilateral commercial agreement be in effect before MFN treatment may be granted to the non-market economies subject to Title IV. As noted above, the President is authorized to enter into such bilateral agreements only if he determines that the Jackson-Vanik requirements have been met or waives the requirements.

Section 405 also sets forth a number of specific provisions that must be included in these bilateral agreements. For example, agreements must: be limited to three years in duration (but are renewable for three-year periods); provide for

suspension or termination at any time for national security reasons; include safeguard arrangements; include provisions relating to the protection of intellectual property; provide for settlement of disputes and include arrangements for the promotion of trade. Attachment A summarizes the provisions of the U.S.-Mongolian trade agreement and Attachment B summarizes the U.S.-Bulgarian trade agreement.

Procedures for Congressional consideration of the trade agreements.--The Trade Act of 1974, as amended by the Customs and Trade Act of 1990, provides expedited ("fast-track") legislative procedures for Congress to consider both bilateral commercial agreements and Presidential declarations proclaiming MFN status for those countries which have entered into commercial agreements which meet the requirements of Title IV.

Under Title IV, as amended, such trade agreements and MFN proclamations may take effect only after the House and Senate adopt a joint resolution of approval under "fast-track" procedures (*i.e.*, no amendments and limited debate). Under Senate rules, the approval resolution with respect to such trade agreements is automatically referred to the Finance Committee. No amendments are in order. The rules further provide that the Committee will be automatically discharged from further consideration of the resolution if the Committee has not reported the resolution within 45 days after its introduction. The Senate must vote on final passage of the resolution within 15 days after the bill has been reported or the Committee has been discharged. Debate on the floor is limited.

U.S.-Mongolian trade.--The volume of U.S. trade with Mongolia has remained low. Over the past four years, two-way trade has averaged \$1.6 million annually. In 1990, U.S. exports to Mongolia totaled \$94,000. Leading exports included burglar and fire alarms, scientific and measuring equipment, and magnetic tapes. U.S. imports from Mongolia in 1990 reached \$1.8 million; chief imports were animal hair (valued at \$1.2 million) and toluene (\$500,000). If MFN status is granted to Mongolia, the import duty on our major import from Mongolia -- animal hair -- will drop by 80 percent.

U.S.-Bulgarian trade.--Over the last four years, two-way trade with Bulgaria has averaged \$164 million annually, with the United States posting an average annual surplus of \$76 million. U.S. exports to Bulgaria averaged \$132 million annually from 1987 through 1989, but dropped in 1990 to \$84 million. The decline was attributable to Bulgaria's recession and hard currency shortage. Leading U.S. exports included aircraft and parts, soybeans, coal, and corn.

U.S. imports from Bulgaria, which averaged \$45 million annually in the 1987-1989 period, dropped slightly in 1990 to \$43 million. Principal imports from Bulgaria include tobacco, urea, petroleum products, cheese, manual typewriters, and wine. The General Accounting Office (GAO) has estimated that granting MFN status to Bulgaria would reduce the weighted average tariff rate on dutiable products from Bulgaria from 21 percent to 5.2 percent -- a drop of almost 16 percentage points. However, the GAO has noted that since Bulgaria's share of U.S. imports is less than one-tenth of one percent and its total exports to all countries amount to only 3.5 percent of total U.S. imports, even a substantial increase in U.S. imports from Bulgaria would probably have only a small impact on the U.S. economy.

Key provisions of the U.S.-Mongolian and U.S.-Bulgarian trade agreements.--In addition to providing for reciprocal MFN treatment, the trade agreements with both Mongolia and Bulgaria also contain a number of additional provisions that are designed to facilitate trade between the countries. Included in the agreements are measures to encourage the mounting of trade promotion events; ease the establishment of business offices and the direct hire of employees; and improve the transparency of laws and regulations affecting trade and commercial matters. Additional provisions require that trade be conducted in convertible currencies and require the parties to provide non-discriminatory treatment with respect to a range of financial transactions. In addition, hard currency earnings from trade may be immediately repatriated. Further, both Mongolia and Bulgaria have agreed to improve their intellectual property laws.

Comments received on the trade agreements.--On June 28, 1991, Senator Bentsen issued a press release requesting written comments on the U.S.-Mongolian and U.S.-Bulgarian trade agreements. In response, the Finance Committee received two written submissions. One submission, from Michael Horowitz, Jonathon Moore, and Mark Cohen of the Washington, D.C. law firm Windels, Marx, Davies & Ives, urged the Committee promptly to approve the trade agreement with Bulgaria. One submission, from Amicale Industries, Inc., New York, New York, urged the Committee to approve the extension of MFN treatment to Mongolia.

Attachments:

- A. Summary of the U.S.-Mongolian Trade Agreement
- B. Summary of the U.S.-Bulgarian Trade Agreement
- C. S.J. Res. 168
- D. S.J. Res. 169

SUMMARY OF THE U.S.-MONGOLIAN TRADE AGREEMENT

Article I.--Article I provides that the United States and Mongolia shall accord most-favored-nation (MFN) treatment to each other's products with respect to customs duties and charges, the method of payment for imports and exports, all rules and formalities in connection with importation and exportation, taxes and internal charges and other laws and regulations affecting the sale, distribution and storage of products. Each country will accord to the products of the other MFN treatment with respect to the allocation of and access to the currency needed to pay for the imported goods. Each country agrees to accord non-discriminatory treatment to the products (except textiles) of the other country with respect to the application of quantitative restrictions and the granting of licenses.

Article II.--Under Article II, each country agrees not to impose taxes or other charges or implement regulations in a manner that disadvantages imports from the other country relative to domestic products, or to apply taxes or regulations as a means of protecting domestic production. The countries also commit to ensure that technical regulations and standards do not become obstacles to trade. In addition, Mongolia agrees to accede to the Convention Establishing the Customs Cooperation Council and the International Convention on the Harmonized Commodity Description and Coding System.

Article III.--In Article III, both countries agree to maintain a satisfactory balance of market access opportunities. This Article also provides that trade is to be conducted between the two countries by means of contracts concluded as exercises of independent commercial judgement on the basis of non-discrimination and customary commercial considerations such as price, quality, availability, delivery, and terms of payment. Article III also provides that neither country will require or encourage barter or countertrade.

Article IV.--Article IV includes general provisions concerning the desirability of expanding two-way trade and commits both countries to take "appropriate measures" to encourage the expansion of commercial contacts. Both countries agree to facilitate the holding of trade promotional events and encourage their companies and citizens to participate in such events. Article IV also provides that the United States and Mongolia will permit the duty-free importation and re-exportation of articles used in trade events.

Article V.--Article V permits each country to establish government commercial offices in the other party.

Article VI.--Article VI contains a number of provisions aimed at facilitating business transactions between the two countries. These provisions relate to the establishment of "commercial representatives," the direct hire of employees, importation of office equipment, access to office space and living accommodations, employment of agents and distributors, the stocking and distribution of samples and replacement parts, advertising, market research, and access to services provided by the governments (e.g., public utilities).

Article VII.--This Article requires each country to make publicly available on a timely basis all laws and regulations relating to trade, investment, taxation, and other commercial matters. In addition, Article VII requires each party to permit nationals and companies of the other country to comment on the formulation of rules and regulations which affect the conduct of business.

Article VIII.--Article VIII stipulates that, unless otherwise agreed, commercial transactions should be conducted in U.S. dollars or other convertible currency. The Article also binds the parties not to restrict the export of convertible currencies or deposits obtained in connection with trade in goods and services. In addition, the Article provides that nationals and companies of each country may maintain bank accounts in the other country. Article VIII also requires non-discriminatory treatment with respect to a range of financial transactions.

Article IX.--Article IX sets forth detailed commitments regarding the protection of intellectual property. Each country confirms its adherence to the Paris Convention for the Protection of Industrial Property and agrees to adhere to the Berne Convention for the Protection of Literary and Artistic Works. In addition, Article IX provides for protection of computer programs, data bases, sound recordings, trademarks, semiconductor chip designs, and trade secrets. In addition, the Article commits each country to provide effective enforcement measures, both internally and at the border.

Article X.--In Article X, each party agrees to strive for agreements on taxation and investment issues, which would include provisions on the repatriation of profits and transfer of capital. Each party also agrees to take steps to foster economic and technical cooperation in such fields as standards and statistics. Finally, each country agrees to consult on services trade liberalization.

Article XI.--Article XI provides safeguard arrangements calling for prompt consultations and permitting the imposition of import restrictions in case of market disruption.

Article XII.--This Article incorporates a number of provisions relating to the settlement of disputes. For example, Article XII grants national treatment to the nationals and companies of either party with respect to access to the courts and administrative bodies of the other party, encourages the adoption of arbitration and sets forth desired arbitration procedures and provides that each country is to ensure that there is an effective means for the recognition and enforcement of arbitral awards.

Article XIII.--This Article stipulates that nothing in the agreement limits the right of either country to take actions to protect its national security interests.

Article XIV.--In Article XIV, the parties agree to consult periodically to review the operation of the agreement.

Article XV.--This Article defines the key terms used in the agreement.

Article XVI.--This Article contains several exceptions to the agreement. The agreement is not to be construed, for example, to prohibit measures designed to secure compliance with laws which are not contrary to the purposes of the agreement or measures to protect intellectual property rights. The agreement does not affect agreements on textiles. Also, nothing in the agreement is to preclude a party from applying its laws to entities substantially owned or controlled by the government of the other party.

Article XVII.--Article XVII deals with the entry into force of the agreement, stipulates that the initial term of the agreement will be three years, with possible extensions for three-year terms, and provides for termination of the agreement.

In separate side letters, each of which is an integral part of the agreement, Mongolia has made additional commitments concerning the promotion of tourism and the establishment of commercial representations. Also, the United States agreed to give due consideration to Mongolia's request that it be designated a beneficiary under the Generalized System of Preferences.

SUMMARY OF THE U.S.-BULGARIAN TRADE AGREEMENT

Article I.--Article I provides that the United States and Bulgaria shall accord most-favored-nation (MFN) treatment to each other's products with respect to customs duties and charges, the method of payment for imports and exports, all rules and formalities in connection with importation and exportation, taxes and internal charges and other laws and regulations affecting the sale, distribution and storage of products. Each country also agrees to accord to the products of the other MFN treatment with respect to the allocation of and access to the currency needed to pay for imported goods. In addition, each country agrees to grant non-discriminatory treatment to the products (with the exception of textiles) of the other country with respect to the application of quantitative restrictions and the granting of licenses.

Article II.--Under Article II, each country agrees not to impose taxes or other charges or implement regulations in a manner that disadvantages imports from the other country relative to domestic products, or to apply taxes or regulations as a means of protecting domestic production. The countries also commit to ensure that technical regulations and standards do not become obstacles to trade. In addition, Bulgaria agrees to accede to the International Convention on the Harmonized Commodity Description and Coding System, and the United States agrees to provide appropriate technical assistance. Finally, both countries agree to maintain a satisfactory balance of market access opportunities.

Article III.--This Article provides that trade is to be conducted between the two countries by means of contracts concluded as exercises of independent commercial judgement on the basis of non-discrimination and customary commercial considerations such as price, quality, availability, delivery, and terms of payment. Article III also provides that neither country will require or encourage barter or countertrade.

Article IV.--Article IV includes general provisions concerning the desirability of expanding two-way trade and commits both countries to take "appropriate measures" to encourage the expansion of commercial contacts. Both countries agree to facilitate the holding of trade promotional events and encourage their companies and citizens to participate in such events. Article IV also provides that the United States and Bulgaria will permit the duty-free importation and re-exportation of articles used in trade events.

Article V.--Article V obligates each country, consistent with applicable immigration laws, to permit government commercial offices to hire directly both host-and third-country nationals. This Article also contains general provisions concerning unhindered access to government commercial offices, the encouragement of participation in the activities of government commercial offices, and access to officials at federal and sub-federal levels.

Article VI.--Article VI contains a number of provisions aimed at facilitating business transactions between the two countries. These provisions relate to the establishment of "commercial representatives," the direct hire of employees, importation of office equipment, access to office space and living accommodations, employment of agents and distributors, the stocking and distribution of samples and replacement parts, advertising, market research, and access to services provided by the governments (e.g., public utilities).

Article VII.--This Article requires each country to make publicly available on a timely basis all laws, regulations, judicial decisions, and administrative rulings relating to trade, investment, and other commercial matters. In addition, Article VII requires each party to permit nationals and companies of the other country to comment on the formulation of rules and regulations which affect the conduct of business.

Article VIII.--Article VIII stipulates that, unless otherwise agreed, commercial transactions should be conducted in U.S. dollars or other convertible currency. The Article also binds the parties not to restrict the export of convertible currencies or deposits obtained in connection with trade in goods and services. Article VIII also requires non-discriminatory treatment with respect to a range of financial transactions.

Article IX.--Article IX requires each party to provide for adequate protection and enforcement for patents, copyrights, trademarks, trade secrets, and layout designs for integrated circuits. Detailed obligations are set forth in a side letter to the agreement.

Article X.--In Article X, each party agrees to strive for agreements on taxation and investment issues, which would include provisions on the repatriation of profits and transfer of capital. Each party also agrees to take steps to foster economic and technical cooperation in such fields as standards and statistics. Finally, each country agrees to consult on services trade liberalization.

Article XI.--Article XI provides safeguard arrangements calling for prompt consultations and permitting the imposition of import restrictions in case of market disruption.

Article XII.--This Article incorporates a number of provisions relating to the settlement of disputes. For example, Article XII grants national treatment to the nationals and companies of either party with respect to access to the courts and administrative bodies of the other party, encourages the adoption of arbitration and sets forth desired arbitration procedures and provides that each country is to ensure that there is an effective means for the recognition and enforcement of arbitral awards.

Article XIII.--This Article stipulates that nothing in the agreement limits the right of either country to take actions to protect its national security interests.

Article XIV.--Article XIV establishes a Joint Commercial Commission to review the operation of the trade agreement and provides for prompt consultations in the case of disputes concerning the agreement.

Article XV.--This Article defines the key terms used in the agreement.

Article XVI.--This Article contains several exceptions to the agreement. The agreement is not to be construed, for example, to prohibit measures designed to secure compliance with laws which are not contrary to the purposes of the agreement, or measures to protect intellectual property rights. The agreement does not affect agreements on textiles. Also, each party has the right to deny the benefits of this agreement to any company controlled by a third country that does not have substantial business interests in the territory of that party or that does not maintain normal economic relations with that party.

Article XVII.--Article XVII deals with the entry into force of the agreement, stipulates that the initial term of the agreement will be three years, with possible extensions for three-year terms, and provides for termination of the agreement.

In separate side letters, each of which is an integral part of the agreement, Bulgaria has made additional commitments concerning the protection of intellectual property, the promotion of tourism and commercial tourism enterprises, currency convertibility, and other business facilitation issues.

102D CONGRESS
1ST SESSION

S. J. RES. 168

Approving the extension of nondiscriminatory treatment (most favored nation treatment) to the products of the Mongolian People's Republic.

IN THE SENATE OF THE UNITED STATES

JUNE 25 (legislative day, JUNE 11), 1991

Mr. MITCHELL (for himself and Mr. DOLE) (by request) introduced the following joint resolution; which was read twice and referred to the Committee on Finance

JOINT RESOLUTION

Approving the extension of nondiscriminatory treatment (most favored nation treatment) to the products of the Mongolian People's Republic.

- 1 *Resolved by the Senate and House of Representatives*
- 2 *of the United States of America in Congress assembled,*
- 3 That the Congress approves the extension of nondiscrim-
- 4 inatory treatment with respect to the products of the Mon-
- 5 golian People's Republic transmitted by the President to
- 6 the Congress on June 25, 1991.

○

102D CONGRESS
1ST SESSION

S. J. RES. 169

Approving the extension of nondiscriminatory treatment (most favored nation treatment) to the products of the Republic of Bulgaria.

IN THE SENATE OF THE UNITED STATES

JUNE 25 (legislative day, JUNE 11), 1991

Mr. MITCHELL (for himself and Mr. DOLE) (by request) introduced the following joint resolution; which was read twice and referred to the Committee on Finance

JOINT RESOLUTION

Approving the extension of nondiscriminatory treatment (most favored nation treatment) to the products of the Republic of Bulgaria.

- 1 *Resolved by the Senate and House of Representatives*
- 2 *of the United States of America in Congress assembled,*
- 3 That the Congress approves the extension of nondiscrim-
- 4 inatory treatment with respect to the products of the Re-
- 5 public of Bulgaria transmitted by the President to the
- 6 Congress on June 25, 1991.

Projected Trigger Status as of March 1992 (high point)
(projections based on quarterly data through March 1991)

Duration under the Bentsen Proposal

20 weeks

Alaska
Alabama
Arkansas
Illinois
Louisiana
Michigan
Mississippi
Ohio
Puerto Rico
West Virginia

13 weeks

Florida
Indiana
Kentucky
Missouri
Montana
New Mexico
Oklahoma
Oregon
Rhode Island
Texas
Washington
Wyoming

7 weeks

California
Colorado
D.C.
Georgia
Idaho
Maine
Massachusetts
Nevada
New York
Pennsylvania
South Carolina
Tennessee

4 weeks

Arizona
Connecticut
Delaware
Hawaii
Iowa
Kansas
Maryland
Minnesota
Nebraska
New Hampshire
New Jersey
North Carolina
North Dakota
South Dakota
Utah
Vermont
Virginia
Wisconsin

Duration under Exhaustive IUR Trigger with 5.0% Threshold

13 weeks

Alaska
Arkansas
California
Connecticut
Idaho
Massachusetts
Maine
Michigan
Montana
Nevada
New Jersey
New York
Oregon
Pennsylvania
Puerto Rico
Rhode Island
Tennessee
Vermont
Washington
West Virginia
Wisconsin

6 weeks

All other States

SIMPLIFIED STRUCTURED AND RATE AMENDMENT

AMENDMENT: To substitute a two-tier program based on an exhaustee insured unemployment rate (EIUR) in place of the proposed four tier program based on the total unemployment rate (TUR).

page 7, Section 3(c) Determination of Periods -- delete section 3(c).

page 7, Section 3(c) Determination of Periods -- add:

insert references to a 5 percent exhaustee insured unemployment rate (EIUR) and a two tier program -- where, less than 5 percent EIUR will trigger a six week extension of benefits; above 5 percent EIUR will trigger a 13 week extension of benefits.

page 16, Section 7(3) Rate of Total Unemployment -- delete section 7(3).

page 16, Section 7(3) Rate of Total Unemployment, add:

insert references as to the determination of an exhaustee insured unemployment rate by the Secretary of Labor. The regular insured unemployment rate (IUR) is determined by the number of weeks of unemployment paid divided by the covered employment in the U.S. The exhaustee insured unemployment rate will include not only the weeks of unemployment insurance claimed for the most recent month, but also exhaustions from the regular program for the most recent three months.

CONFORMING AMENDMENTS

Conforming amendments would be required at:

page 5, Section 3(b)(2)(A) -- Applicable Limit.

page 15, Section 7(2) -- Eligibility Period.